



OVERSEAS NEWS

Moscow praise for Syrian role

MR GEIDAR ALIYEV, a senior member of the Soviet Politburo and first deputy chairman of the Council of Ministers, held a second day of talks with Syrian leaders yesterday, after publicly pledging continued support for the regime of President Hafez al-Assad, our Foreign Staff writes.

At a banquet given in his honour in Damascus, Mr Aliyev repeatedly paid tribute to Syria's role in countering American influence in the Middle East and in particular humiliating the U.S. in Lebanon. Arab foreign ministers look set to hold an emergency meeting in Baghdad tomorrow to discuss the latest escalation in the Gulf War.

According to Iraq's official news agency, 15 of the 22 members of the Arab League have agreed to attend the meeting "to deal with the grave situation which threatens the whole Arab region."

Meanwhile, both Iran and Iraq reported continued fighting around the Majnoon oilfield in south-east Iraq at the weekend. Iran said yesterday that it had crushed the latest Iraqi attempt to retake Majnoon island but there was no official confirmation from Iraq and diplomats in Baghdad said the Iraqis appeared to have Iranian forces surrounded on three sides. Casualties were reported to be high, even by the standards of the Gulf War.

Lausanne musters fortifications for second Mid-East gathering

BY ANTHONY McDERMOTT IN LAUSANNE

LEADERS OF most of the eight political and religious factions taking part in the second round of the Lebanese National Reconciliation Conference had arrived in Lausanne by midday yesterday. President Amin Gemayel was expected to arrive later the same day from Nice. The conference, which was to be preceded by informal

talks, is due to open officially today. The first round ended in Geneva after five days of talks last November. Saudi Arabia and Syria, which have played key roles in mediating between the different Lebanese parties, are present as observers. On arrival, most party leaders expressed optimism about the outcome of the conference. A

notable exception was Mr Walid Jumblatt, the Druze leader. Mr Jumblatt expressed scepticism about anything worthwhile emerging from the talks and has been consistently critical of Mr Gemayel, who is to chair proceedings. The setting of this conference and the extraordinary security precautions around

It could hardly be in greater contrast. The Beau Rivage Hotel first opened its doors to guests in 1861, and overlooks the lake of Geneva. It has a timeless elegance personified by the six elderly ladies who placidly played bridge on Saturday afternoon in the main saloon, while security police sub-

jected visitors to stringent body searches. Outside, terraces and garage entrances are ringed by rolls of barbed wire and police armed with machine guns are on patrol. Some 800 police have been mobilised, including anti-terrorist squad units. There is a sandbagged pillbox at the main hotel entrance together with mobile spiked

strips to deter would-be bombers from driving up. Three large green-coloured steel walls on wheels—looking like misplaced cricket stumps—stand in front of the conference hall windows to protect the negotiators against rocket assaults. The erstwhile genteel hotel has temporarily been transformed into a fortress.

Lebanese leaders harden positions before conference

BY NORA BOUSTANY IN BEIRUT

LEBANESE LEADERS, who resume their national reconciliation conference in Lausanne, Switzerland, today, have to tackle three general issues: political reform at home, the formation of a new cabinet and the withdrawal of Syrian and Israeli forces from Lebanese territory.

The fear here is that their meeting will result not in an effective dialogue but in a series of monologues. Before the departure for Lausanne of Lebanon's eight most important political leaders, it was already evident that no common ground had been reached even between allies on the same side of the fence.

In consequence the best outcome political analysts here are hoping for is some sort of military and political truce—not an overall settlement.

In the past week, participants invited to Lausanne, the same who met early last November

at Geneva, have hardened their positions on crucial issues in preparation for the tough bargaining ahead.

Muslim and Druze opposition figures such as Mr Walid Jumblatt of the Druze and Mr Nabih Berri head of the Shi'ite Amal movement, appeared more or less agreed on basic demands. In addition to the abolition of political confessionalism—the distribution of key posts along sectarian lines—they were reported to be seeking a radical restructuring of the Lebanese army so it may not be dragged into internal conflicts.

The Druze working paper of Mr Jumblatt's Progressive Socialist Party is also pressing for a "trial of Lebanese officials for what happened in the southern suburbs and the mountains,"—a reference to last month's fighting between the army and anti-government forces.

The militant "Lebanese Forces," the alliance of

PHALANGE RADIO reported yesterday afternoon that the "Lebanese Front" working paper at the Lausanne talks proposes that Lebanon be made into a federal Arab republic, divided into provinces. Decision-making on foreign, defence, monetary and financial affairs should be made at province level. Each would be headed by a

governor and an executive council. The Christian community, fearful of being dominated by a Muslim majority, is now opting for a federal system which would allow it some autonomy in administration and foreign affairs. There is a real fear of a Syrian army or Muslim militia push into Christian-controlled areas.

Another demand, on which there is agreement is that the prime minister should be elected by parliament. Under Lebanon's traditional system agreed upon in the national charter, a gentlemen's agreement reached in 1943 among the various groups, the President is a Maronite Christian, the Prime Minister a Sunni Muslim

President Amin Gemayel, who will be chairing the national conference, and who is said to be carrying with him a revolutionary programme, is due to propose administrative decentralisation and a special body for economic and social reforms.

Among new introductions into the Lebanese formula of co-existence, suggested by various parties, are the formation of a unicameral chamber that would provide for a wider representation of the many religious groups.

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leader Mr Berri said: "If that is the case, let them prepare themselves for another 90 years of war."

The Shi'ite community, Lebanon's poorest and largest, dislikes a system of cantons which would leave it undeveloped compared to other communities. Some Druze officials, however, have indicated that they are not totally opposed to such an arrangement.

appointed by the President, and the Speaker of the House is Shi'ite Muslim.

The former President, Mr Sleiman Frangieh, and Prime Minister Rashid Karami, both members of the opposition National Salvation Front, with Mr Berri and Mr Jumblatt, are said to be against the latter's request for the abolition of political confessionalism, at least for the three top posts.

There is a considerable generational gap of at least 30 years between Mr Frangieh and Mr Karami on the one hand and the younger Mr Berri and Mr Jumblatt on the other.

Mr Camille Chamoun, a former Christian president, and Mr Pierre Gemayel, head of the Phalange, members of the Christian alliance of the "Lebanese Front" declared before leaving that they would not concede an amendment of the Lebanese constitution now being challenged.

Nkomo plea over food for rural curfew area

By Tony Hawkins in Bulawayo

THE ZAPU opposition leader Mr Joshua Nkomo yesterday accused the Mugabe Government of withholding food supplies from the curfew area of southern Matabeleland. Mr Nkomo, addressing his first major rally in Zimbabwe for nearly two years, was accorded a tumultuous welcome by a crowd estimated by police at more than 45,000 people, suggesting he has lost little of his popular support in Matabeleland.

The 66-year-old Ndebele leader said the curfew was intended to starve dissidents in the rural areas. "The people in rural areas cannot differentiate the dissidents from the Fifth Brigade—a reference to North Korean trained troops being used against Nkomo's army."

Mr Nkomo said he was disturbed by many things happening in southern Matabeleland—a reference to repeated reports of brutality by the security forces against the civilian population and persistent reports from keepers that food supplies are not being allowed into the curfew area. Diseases of malnutrition were rife, said Mr Nkomo, and there were cases of women and children dying from starvation. "To deny these people food is to deny them their right to life," he said.

Government statements have admitted that for the third successive year the drought in Matabeleland has been extremely serious, with the maize crop, the staple food, written off throughout the area.

The curfew was imposed five years ago as part of the government campaign against the dissidents who claim to be the centre of the Ndebele minority. In his speech the ZAPU leader denounced and disowned the dissidents, describing repeated allegations by Government ministers that he was "the father of the dissidents as silly and stupid."

He told the rally that he still had no response from the Government to the allegations he made in Parliament last month that six civilians had been murdered by the security forces. He had since given Government ministers details of three schoolgirls abducted by the Fifth Brigade, he said.

Mr Nkomo's accusations against the Government over the food situation are supported by some businessmen who say that the curfew has prevented people from going to the shops and buying supplies.

Mr Simbi Mabasa, the Zimbabwe Home Affairs Minister, last week ordered food supplies to be sent to Matabeleland and that shops, closed under the curfew regulations, be opened twice a week.

Pressure on Israeli coalition

By Our Tel Aviv Correspondent

ISRAEL'S SMALL religious parties are creating problems for Prime Minister Yitzhak Shamir by demanding Government intervention to uphold the sanctity of the Sabbath holiday.

The religious factions, a vital component in the fragile ruling coalition, have been enraged because police arrested a well-known rabbi for questioning on the Sabbath, following minor clashes between secular and orthodox Jews in the Tel Aviv suburb of Petah Tikva.

Rabbi Baruch Salomon was allegedly among a crowd that stormed a cafe because it broke religious law by serving customers on the Sabbath.

Mr Avraham Shapira, leader of the ultra-orthodox Agudat Israel Party, which has four Knesset seats, threatened to quit the coalition if the Rabbi was not released. The Government has only a 4-seat majority. Agudat and members of the National Religious Party, another coalition partner, want any proceedings against the Rabbi to be dropped. He was released after questioning.

The defection threat, though not taken seriously, brought pressure on Mr Shamir to take a generally unpopular stand in ordering strict observation of the Sabbath.

Employers' opposition to Hawke pay policy grows

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE AUSTRALIAN Government has received further clear warnings from employers that its wages policy—one of the main planks of the Government's strategy for economic recovery—is rapidly losing support.

In Melbourne the farming and mining lobbies warned that declining competitiveness could cost the country an additional A\$1bn (£840m) in 1984.

The National Farmers' Federation and the Australian Mines and Metals Association have thus joined other key employer groups—namely the Federation of Australian Industry—in bitterly opposing the Hawke Labor Government's use

of centrally fixed wage indexation for placating the unions. The new pay regime, which employers claim is inflationary, is the centrepiece of the Government's strategy for economic recovery. Growing opposition to wage increases derived directly from gains in the consumer price index represents the first serious challenge to Mr Hawke's Government in its year and a week in office.

Fluor to advise West Australia on gas surplus

BY OUR FOREIGN STAFF

FLUOR CORPORATION, the U.S. engineering concern, will prepare a report for the West Australian Government on the disposal of surplus gas from the North-West Shelf project.

The Dampier-Wagerup pipeline, which will bring the gas to Perth, the Wagerup Alumina refinery and industrial markets in the south-west of the state, will be officially completed this week, ahead of budget and schedule.

Fluor executives agreed at a weekend meeting in Los Angeles to provide Mr Brian Burke, the Western Australia Premier, with details about the Fischer-Tropsch synthesis, a process for converting gas into petrol or diesel fuel.

Western Australia's State Electricity Commission is set to begin taking gas from the shelf in July, but will not be able to meet its contract conditions in the early years of the domestic phase of Australia's largest resource project.

Projections suggest that the total market for gas in Western Australia will be between 6.5m and 7m cubic metres a day until 1987. The Commission's 20-year "take-or-pay" contract specifies a minimum daily delivery of 10.3m cubic metres, however.

Mr Burke said the Fischer-Tropsch process is already being used successfully in South Africa, but further development is likely to take a year. Although the technology is available, present production costs make it unviable.

Fluor Corp joined with Mammsell and Partners as chief engineering consultants for the 1,400 km Dampier-Wagerup pipeline.

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OVERSEAS NEWS

S. Africa willing to take part in Namibia talks unconditionally

MR PIK BOTHA, the South African Foreign Minister, said yesterday that South Africa was willing to take part without any preconditions in a peace conference with all the parties involved in Namibia.

Fresh hope for common market in insurance

A CHANGE of position by West Germany has given EEC economists and finance Ministers the chance today to renew their efforts to create a common market for the supply of non-life insurance services.

Vogel to call for summit during visit to Kremlin

HERR-HANS-JOCHEN Vogel, leader of the West German Social Democrats (SPD), left yesterday for Moscow where he is likely to impress upon the Kremlin the desirability of an early summit meeting between the superpowers.

Strauss upstages rivals in talks with Honecker

THE INTENSE rivalry between Herr Franz-Josef Strauss, the ultra-conservative prime minister of Bavaria, and the West German coalition government spilled into East Germany yesterday.

Walesa calls for workers' council participation

IN A significant policy shift, Mr Lech Walesa, leader of the banned Solidarity independent trade union movement, has urged his supporters to take every opportunity to improve Poland's economic situation and to use existing, officially sanctioned institutions.

Buenos Aires denies cabinet crisis reports

ARGENTINA'S Radical Government yesterday moved quickly to defuse reports of a cabinet crisis following the resignation on Friday of Mr Hugo Gobbi, a key negotiator on the Falklands and Beagle Channel disputes.

Greenland go-ahead for EEC withdrawal terms

GREENLAND has approved the terms set for its withdrawal from the European Economic Community over the weekend, ending a two-year battle for control of its lucrative fishing waters.

Shultz warns on embassy move

NEW YORK - Mr George Shultz, U.S. Secretary of State, has warned Congress that the passage of a Bill to move the U.S. Embassy in Israel from Tel Aviv to Jerusalem could provoke anti-American violence in the Islamic world, the New York Times has reported.

Ethiopia to boycott talks

ETHIOPIA, which has accused the U.S. of sending arms to Sudan, said yesterday it would not attend talks aimed at easing tension with Sudan, which were scheduled to begin in Nairobi today, our foreign staff writes.

France's state groups cut loss

FRANCE'S STATE-OWNED industrial groups reduced their overall losses last year to around Ffr 10bn (£1.38bn) from Ffr 15bn in 1982 according to a balance sheet drawn up by the Ministry of Industry.

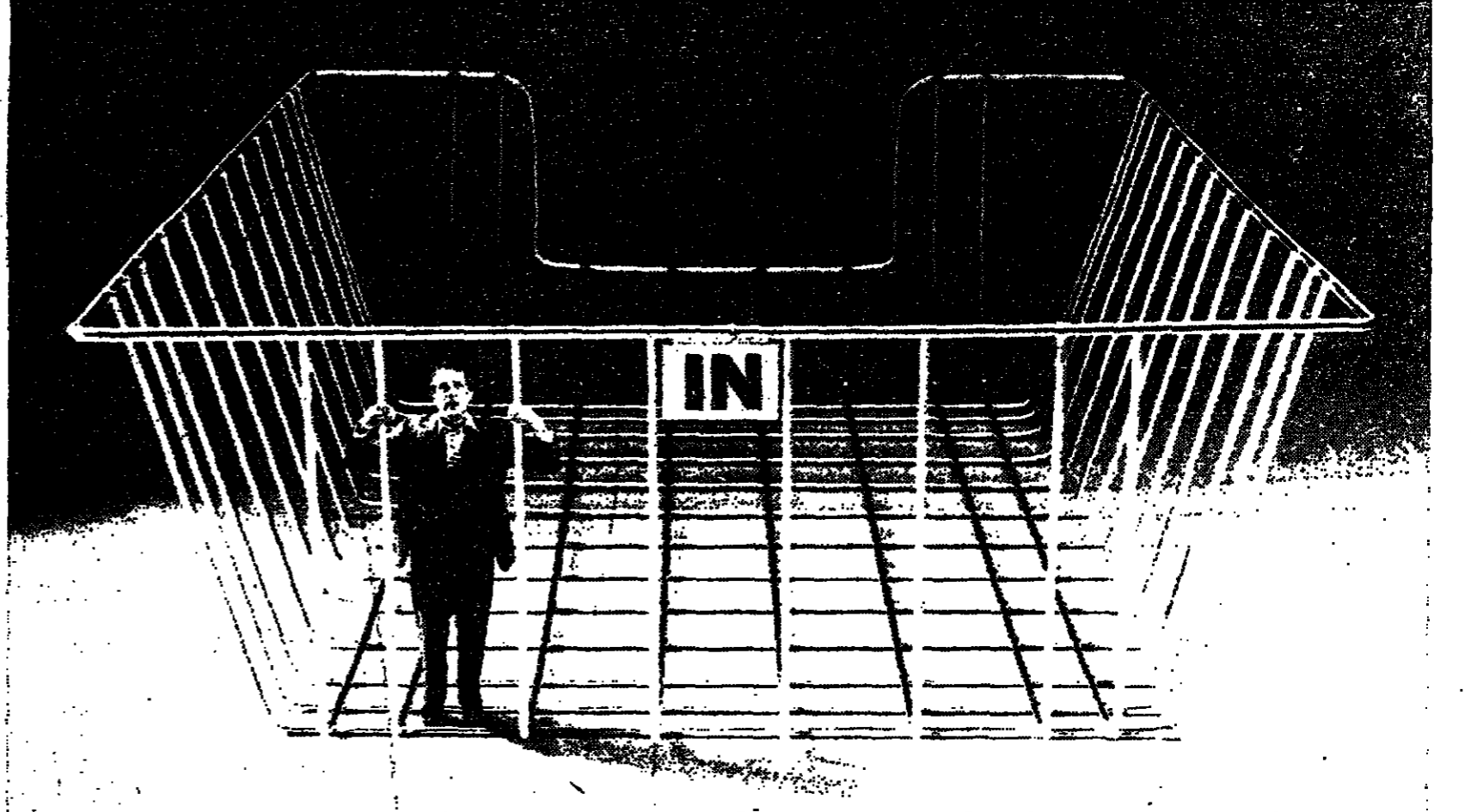
Argentines braced for a week without meat

LONG QUEUES formed outside butchers throughout the country over the weekend, as Argentines braced for a week-long Government ban on all meat sales starting today.

Dutch takeover threatened

AN OCCUPATION of Wilton-Fijenoord, the ailing Dutch shipyard, began over the weekend by workers protesting against proposed redundancies, threats to upset a takeover of the yard by the Dames group of Gorinchem.

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Sino-Soviet talks resume today

THE SOVIET UNION and China begin a new round of talks in Moscow today. However, serious differences over Afghanistan, Kampuchea and troop levels along their common border seem to rule out any dramatic thaw in relations between the two countries.

nkomo plea over food or rural turf area... Buenos Aires denies cabinet crisis reports... Argentina's Radical Government... France's state groups cut loss... Dutch takeover threatened... Sino-Soviet talks resume today

WORLD TRADE NEWS

W. German politicians flock to Leipzig fair

BY LESLIE COLITT IN BERLIN

THE LEIPZIG East-West Trade Fair opened yesterday with the most powerful West German political presence in the city since the end of World War II.

Herr Franz-Josef Strauss, the Bavarian leader, descended on Leipzig for talks with Herr Erich Honecker, East Germany's leader, while Count Otto Lambdorff, West Germany's Economics Minister, was to confer today with East Germany's economics chief, Herr Günter Mittag.

The Prime Ministers of three of the West German states are

in Leipzig, along with the mayor of West Berlin, the economics chiefs of several states, and members of the economics and inner German relations committees of the Bundestag and countless West German company chairmen.

They have come to bask in the new warmth of East-West German relations and to drum up business. Some 800 West German companies are at the fair, out of a total of 9,000. The West Germans, as usual, are the leading foreign exhibitors, followed by the Soviet Union.

West German economics officials speak of "guarded optimism over the prospects for East-West German trade, which last year rose 8 per cent to DM 15.2bn (£4bn). Trade with East Germany, the Soviet Union (up 11.4 per cent to DM 22.1bn) and China (up 25 per cent to DM 4.7bn) were the bright spots.

East Germany is interested in buying equipment to modernise its chemicals industry, along with licences and know-how. But there are not expected to be any major sales of capital goods to East

Germany until the start of the next Five-Year Plan in 1986.

East Germany will rely on West Germany for the bulk of its imports from the West however, as its clearing system of trade with West Germany does not involve hard currency. While East Germany has no problem finding products to buy from West Germany—steel was the fastest-growing item last year—West Germany can sell only to the extent that East Germany sells.

Thus, West German companies trading with East Germany welcomed the liberalisation by Bonn of quotas on East German goods ranging from iron and steel products and aluminiumware to glass and textiles.

The Birmingham Chamber of Industry and Trade has organised a collective stand in Leipzig in which high technology British companies are represented, many of them for the first time. They will need staying power, however. British exports to East Germany have continued to drop, despite the signing a year ago of a five-year accord with East Germany to stimulate joint trade.

Japan to boost semi-conductor investment

TOKYO — Ten Japanese semi-conductor makers are to spend more than ¥500bn (\$1.5bn) on new equipment this year to meet fast-growing demand in Japan and abroad.

Demand, especially for integrated circuits and microchips, has outstripped production causing a shortage of components for video tape recorders, colour television sets, personal computers and word processors. Manufacturers have been forced to slow production or delay delivery.

At least two Japanese companies are planning capital spending of ¥100bn or more to increase production. Hitachi plans to spend ¥110bn on semi-conductors in 1984-85, compared with ¥70bn in 1983-1984. It plans to build or expand three water-making and assembly plants.

NEC plans to build a new integrated circuit factory in the south of Kyushu Island and to complete construction of another plant in Yamaguchi, west Japan. The company is reported to be planning to raise capital spending to about ¥100bn in 1984-85 from ¥60bn in 1983-84.

Both companies are planning sharply to increase their 64K ram chip output capacity so that each will be able to produce 10m chips a month by the end of 1984.

Among other companies, Mitsubishi Electric is thought to be increasing capital outlay by about 35 per cent this year from ¥35.5bn in 1983-84, and Oki Electric is said to be considering boosting its spending to some ¥15bn from ¥10bn last year.

Japanese makers said the shortage of ICS in Japan and the U.S. may continue for some time.

The shortage of integrated circuits in Japan and the U.S. is unlikely to be made up by the end of this year, however, according to Mr Atsuyoshi Ouchi, vice-president of NEC.

"Even though we plan to invest more and expand facilities, our fund raising is limited and if we spend so much money, new facilities cannot work at once and meet immediate needs."

One private Japanese market research institute estimates global demand for semi-conductors reached \$17.9bn in calendar 1983 and will rise to \$21.2bn this year.

The 1984 estimate is made up of \$12bn in the U.S., up from \$10.1bn in 1983, \$3.4bn in Europe, up from \$2.9bn, and \$5.7bn in Japan, up from \$4.5bn, it said.

Another private group, the Nomura Research Institute, predicted that world integrated circuit production would reach \$30.9bn in 1986, aided by technical innovations and broader applications for the product. Output in 1983 was worth \$9.9bn. Of the 1986 total, one third would be made in the U.S. and a quarter in Japan, it said.

Japan's 1983 output was about 30 per cent up on 1982, and Japanese exports of semi-conductors rose 47.5 per cent in 1983, the Japan Electronics Industries Association said.

AP-DJ adds from Detroit — Ford Motor and Yamaha of Japan have agreed to study whether to develop engine components together, a Ford spokesman said. The parts might be used in a future Ford engine. Ford owns 25 per cent of Toyo Kogyo of Japan, the maker of Mazda cars, and already plans to build small cars with Mazda.

Moscow agrees to joint \$450m Greek alumina plant

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE and the Soviet Union have agreed to go ahead with a \$450m project for the joint construction of a plant to manufacture alumina for export to the USSR and Bulgaria, using Greek bauxite.

Mr Costis Vaitos, the Greek Deputy National Economy Minister, said that final agreement on the project was reached by Soviet and Greek delegations in Athens, after a breakthrough on negotiations over the purchase price of the alumina.

Mr Vaitos said the two sides agreed on an alumina price of 13 per cent of the Alcan-Canada price for aluminium metal, which currently stands at \$1250 per tonne, for the first three years, and 12.6 per cent of the Alcan price for another seven years. The Greeks had originally demanded 15 per cent of the world price of aluminium.

Officials from the National Investment Bank of Greece, which carried out the feasibility study for the project, said the alumina would be paid for "in hard currency or the equivalent of hard currency in oil or natural gas." The Soviet Union will provide half the financing for the project including equipment for the alumina plant.

The plant, with a 700,000-tonne annual capacity, will employ 700 workers. The Soviet Union has agreed to absorb 400,000 tonnes of alumina per year and Bulgaria 200,000. The plant will process an estimated 1.5m tonnes of Greek bauxite annually.

Construction, which is expected to employ 2,000 workers and last four to five years, is scheduled to begin in early 1985. The likeliest site is reported to be on the Corinthian coast, in the west Greek province of Boeotia.

The alumina project was originally conceived by a Communist government in the late 1970s. The liberalist site is reported to be on the Corinthian coast, in the west Greek province of Boeotia.

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Cairo aims for 'cog role' in world motor industry

Charles Richards reports on the all-Egyptian car

THIRTY-FIVE centuries ago the ancient Egyptians built their empire by exploiting the state-of-the-art spoked wheel chariots of their Hyksos invaders. Their modern day descendants are completing the cycle of development by seeking foreign help to produce the first all-Egyptian motor car.

Specifications are being drawn up for the tender documents which are expected to be ready for sending out to international companies by the middle of this month. They will be given three months to lodge their bids; contracts should be awarded in six months.

Up to a dozen companies may be contacted, all of whom sell their products in Egypt. They included Fiat of Italy, Seat of Spain, Renault and Peugeot of France, Volkswagen of West Germany, Datsun, Mazda and Toyota of Japan, and General Motors of the U.S., which is building a small van, truck and bus factory outside Cairo with its Japanese affiliate Isuzu.

The all-Egyptian car replaces far more modest plans for a new passenger car manufacturing plant for which Renault and Peugeot had been competing until the end of last year.

Egyptian officials had had reservations about the original project. They pointed out that because of the underdevelopment of existing feeder industry the new projected manufacturing plant would mainly assemble components imported from abroad. Furthermore the volume of production was too limited to make the project economical.

Then came President Mubarak's call in line with his "buy Egyptian" directive to produce a 100 per cent Egyptian car—and the machinery of Egyptian bureaucracy changed gear again.

The strategy has several aims: meet all but the luxury end of the domestic market to save on imports and to develop a skilled production base. Joint ventures to replace existing licensing schemes would also bring much needed foreign currency and transfers of technology.

At present Nasco's 25,000 cars a year satisfy less than a third of demand of 75,000 cars a year. Industry estimates expect demand to rise to 108,000 in 1990,

130,000 by 1995 and 140,000 by 2000, taking into account annual growth and replacement. The new project would be for two models only to be produced in Egypt. A small car of 1,000cc, at the new factory, by a joint venture company, and a medium sized car of 1.5 litres to be produced at the Nasco works at Wadi Hof, south of Cairo.

Nasco's present range of locally assembled cars—two small: the Seat 127 and the Zastava 128, and two medium: the Fiat 131 and the Polish Polonez—would be phased out. Nasco also assembles buses and trucks under licence from Iveco and Magirus Deutz and a small number of Fiat Ritmo cars using spare capacity at the Arab-American Vehicles Jeep factory.

Mr Helmi Zaki, director of passenger cars at Nasco, says that the aim would be to increase local content from the current 20 to 22 per cent including body welding, paintwork, upholstery, batteries, tyres, glass and exhaust systems. Up to \$140m investment

would be needed to raise local content to 70 per cent he says. He would like to see local production of such items as shock absorbers and wheel rims, as well as the development of existing facilities to produce petrol engines.

The small car project on the other hand would start from scratch. Mr Adel Gazari, former head of Nasco and now chairman of the Engineering Industries Association, a public sector holding company, says the aim would be to produce 60,000 units a year rising to 100,000. Investment needed would be between \$300 and \$400m (Industry Ministry officials cite \$360m).

The new venture would not simply be a matter of import substitution. Helmi Zaki says that any manufacturer would have to produce more than 100,000 units of say, a gear box even 100,000 is not an economical volume of production. Producing volumes greater than local demand would create economies of scale and generate foreign exchange through exports to pay for

imports of raw materials, and, most important, give Egypt some security of supplies.

As with offset production deals in Egypt's arms industry, Egypt would want to provide components for re-export to the parent company or its affiliates so that the Egyptian product would become a cog—albeit a small one—in a worldwide production mechanism.

The success of any bid would depend to a large extent on its ability to spawn a large component industry. Adel Gazari, when at the wheel of the Nasco, used to blame low customs duties on imported components for killing any incentive to establish efficient local component factories.

To help develop such feeder industries, officials would expect that which ever company is selected for the small car would also be chosen for the medium sized car, to ensure commonality of parts and to avoid duplication of investment.

Bidders, meanwhile, are certain to want to ensure that they have a certain measure of control over product pricing, since Nasco suffered a loss last year because of government price controls.

SHIPPING REPORT

Tanker rates up again as Gulf war intensifies

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE TANKER market hotted up last week, as charter rates in the Gulf rose under the influence of continued hostilities between Iraq and Iran. News of Iraqi damage to several Iranian oil tankers bound for Iranian ports—no tankers have been hit—added to the tension in the area.

Brokers said the scale of activity and the level of rate increases was the largest for some time. Loadings from the main Iranian oil terminal at Kharg Island commanded a premium over other Gulf cargoes, but all Gulf rates improved.

Worldscale 40 was paid for a VLCC (very large crude carrier) from Kharg to the Red Sea compared with Worldscale 33 the week before. A part cargo of 190,000 tons was fixed from Lavan Island in Iran to Singapore at Worldscale 45, a freight cost of nearly \$1m.

Numerous fixtures were also made to Japan at undisclosed rates. After the Iraqi attacks on shipping became known, Lloyd's doubled war risk insurance rates in the northern Gulf area to 1.5 per cent of vessels' value. Galbraith's said captains of tankers recently loaded at Kharg had reported no problems during their visits. Iraq said last week it was prepared to provide

insurance cover to tankers calling there at only 1 per cent of the value of hull and cargo.

The spot of \$100m has been transferred to begin an insurance company's London bank to finance this, it said. This has undoubtedly been done to try to persuade owners that Kharg Island is certainly not a besieged terminal and that the "business as usual" sign it hit.

Brokers said the rate from Kharg to Rotterdam was now about Worldscale 35 for a VLCC cargo of 250,000 tons, or \$2.5m. This compared with Worldscale 28, equivalent to \$2m, the previous week.

The rise in VLCC rates and activity benefited smaller vessels of 80-140,000 tons in the Gulf, with further rate improvements seen likely.

But Galbraith's was sceptical as to how long the big tanker rates would last. Though owners were hoping that rates from the Gulf would rise to the mid-Worldscale 40s, it thought the rising trend could be halted if inquiries suddenly dried up.

On the dry cargo market, Denholm Coates said large bulk carriers continued to benefit from demand for coal and iron ore. Charterers were now prepared to take such vessels for up to a year.

World Economic Indicators

TRADE STATISTICS

|                  |         | Jan '84 | Dec '83 | Nov '83 | Jan '83 |
|------------------|---------|---------|---------|---------|---------|
| U.S. \$bn        | Exports | 16.33   | 17.30   | 17.06   | 17.23   |
|                  | Imports | 24.59   | 22.98   | 22.11   | 20.13   |
|                  | Balance | -8.26   | -5.68   | -5.05   | -2.9    |
| UK £bn           | Exports | 5.27    | 5.20    | 5.27    | 4.78    |
|                  | Imports | 5.56    | 5.44    | 5.20    | 4.90    |
|                  | Balance | -0.29   | -0.24   | 0.07    | -0.12   |
| France FFbn      | Exports | 48.87   | 67.44   | 67.80   | 55.80   |
|                  | Imports | 74.34   | 67.44   | 68.59   | 45.37   |
|                  | Balance | -25.47  | 10.00   | 0.21    | 10.43   |
| Japan \$bn       | Exports | 72.99   | 73.21   | 72.93   | 70.95   |
|                  | Imports | 11.85   | 11.11   | 11.24   | 10.81   |
|                  | Balance | 61.14   | 62.10   | 61.69   | 60.14   |
| W. Germany DMbn  | Exports | 38.32   | 37.48   | 36.48   | 34.40   |
|                  | Imports | 35.56   | 34.53   | 32.25   | 29.48   |
|                  | Balance | 2.77    | 2.95    | 3.43    | 4.72    |
| Italy Lbn        | Exports | 10,766  | 10,353  | 9,875   | 9,045   |
|                  | Imports | 10,488  | 10,781  | 11,259  | 10,252  |
|                  | Balance | 278     | -428    | -1,384  | -1,207  |
| Netherlands Flbn | Exports | 16.49   | 16.08   | 15.78   | 14.75   |
|                  | Imports | 15.30   | 15.84   | 14.55   | 14.89   |
|                  | Balance | 1.19    | 0.24    | 1.23    | -0.14   |



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# TECHNOLOGY

EDITED BY ALAN CANE

RESEARCHERS PROPOSE NEW SEMICONDUCTOR HARDWARE

## Plan to speed chip production

By PETER MARSH

GOVERNMENT researchers are set to join forces with industry in a drive to produce an advanced form of machine to make chips with electron beams.

The Rutherford Appleton Laboratory in Oxfordshire, which is run by the Science and Engineering Research Council, plans to team up with engineers from Cambridge Instruments, one of the few British companies that make equipment for semiconductor production.

The two groups want to speed-up by a factor of five the electron-beam hardware that Cambridge Instruments already manufactures. With a stream of electrons, the equipment inscribes on a piece of material the pattern of an electronic circuit.

Researchers have applied to the Government's Alvey directorate for cash to develop the machinery over three years. The Alvey directorate of the Department of Trade and Industry is allocating £200m over five years on projects in

Some £200m over five years on projects in information technology

information technology, including chip design and manufacture.

The Rutherford Appleton Laboratory is Britain's most experienced centre in writing patterns for chips with electron beams.

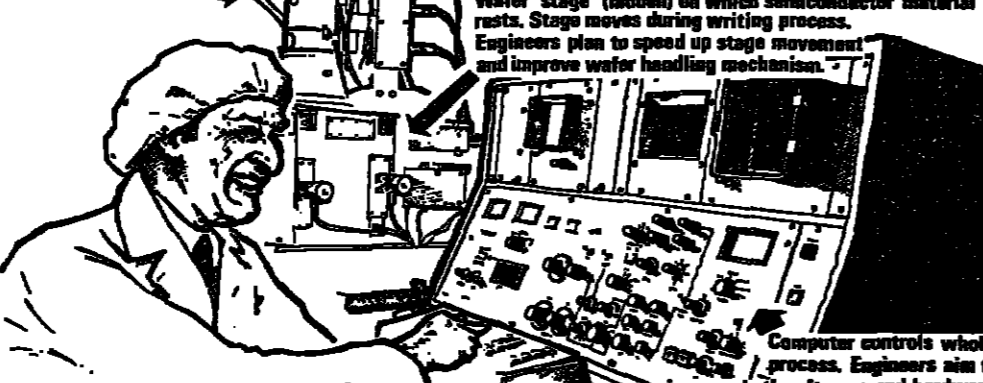
Since 1979 the laboratory has turned out, as a service to universities, masks that contain the patterns for electronic circuits. These lines are transferred to a semiconductor substrate at a later stage of the manufacturing process.

With hardware worth £2m, the laboratory produces some 1,000 masks a year. The masks are used by researchers in 25 universities as part of studies in chip design and manufacture.

Electron beams can inscribe very fine meshes of lines, in which the distance between adjacent parts of the pattern is 1 micrometre or less.

Cambridge Instruments' current model takes about half an hour to transfer circuit patterns onto a silicon wafer that contains several hundred chips. This is about ten times as long as the optical machinery conventionally used in the semiconductor industry.

Electron tube. Researchers want to improve deflection systems to increase rate at which electrons 'write'.



### BRITAIN'S NEW CHIP MACHINE

Wafer 'stage' (hidden) on which semiconductor material rests. Stage moves during writing process. Engineers plan to speed up stage movement and improve wafer handling mechanism.

Computer controls whole process. Engineers aim to improve both software and hardware.

Cambridge Instruments, in combination with government researchers, plan a new, much quicker version of the electron-beam equipment that turns out chips.

Optical equipment works rather like a spotlight—it floods the whole of the wafer with the same broad beam of radiation. The radiation must first pass through a mask which contains the pattern to be impregnated. In a process similar to screen printing in the paper industry, the mask transfers to the semiconductor a mesh of lines.

Electron beam machines are in some ways simpler because they dispense with the mask. Instead, they "write" the circuit pattern directly on to the wafer. But the process is slow because each line in the pattern must be individually traced out.

Semiconductor companies seldom use electron-beam machines to produce chips in large volumes. The process would take too long. Instead, engineers restrict the apparatus to mask-making.

Alternatively, the electronics industry makes with electron beams small production runs of new kinds of densely packed chips, as a prelude to gearing up for full-scale manufacture using conventional optical machinery.

By speeding up current versions of electron-beam hardware, managers at the Rutherford Appleton Laboratory and Cambridge Instruments think they will make the equipment more attractive to production engineers employed by chip companies.

The researchers plan to increase speed in three main ways. First, they will quicken

the rate at which the electron beam flicks between different parts of the line it is inscribing onto silicon.

Both the times and the distances in this process are microscopic. A beam may zig-zag across a semiconductor in bursts of as little as one ten-billionth of a second. During this time it may travel a quarter of a micrometre.

Secondly, researchers will improve the electronics in the machine. The electronics controls both the deflection of the electron beam and the movement of a small platform, called a stage, on which the wafer sits as the electron stream falls onto it.

During the time it takes to transfer a pattern onto one wafer, the stage can move up to 10,000 times, each a step of about a millimetre.

Finally, workers plan to modify the existing hardware mechanically, for example by improving the equipment that automatically picks up wafers and slides them into the machine.

As part of their own research effort, workers at the Rutherford Appleton Laboratory have built their own electron-beam machine, RAL-1. The hardware, developed at a cost of about £1m, has a number of improvements.

For instance, RAL-1 contains a new system for controlling the flow of electrons to a target of silicon. The mechanism was devised by Cambridge University.

The Rutherford workers have also enhanced the software that controls the deflection of the electron beam.

Cambridge Instruments sells 10 £600,000 machines a year

Cambridge Instruments already says it will buy some of this software to improve its existing electron-beam hardware. The company sells about 10 £600,000 machines a year, mainly overseas.

### Mould design

CALMA, the computer-aided design specialist, is offering a plastics mould design package that reduces mould cost, delivery/production times and material waste.

The package allows moulded component design to be transferred immediately into mould fabrication via a desk-sized engineering workstation.

Flow and cooling properties of the plastic in use are taken account of by the software and some 60 per cent of the cost of mould design and manufacture are saved by carrying out the heat transfer analysis before cutting the steel.

Outputs include bill of materials and a complete three-dimensional model of the mould. More on 0276 651621.

NUCLEAR WASTE DISPOSAL

## Boreholes for dumping

By DAVID FISHLOCK, SCIENCE EDITOR

A BRITISH inventor has responded to the Government's call for more private-sector involvement in the disposal of radioactive waste. He wants to use proven oil industry technology to bury the waste permanently in boreholes two miles deep in the North Sea.

It could emerge as a serious test of the sincerity of nuclear opposition groups in their desire to solve the problems of managing radioactive waste safely.

The scheme, on which Mr Alex Copson, the inventor, has applied for a patent, resembles one which has gained approval in principle in Sweden, for encapsulating spent nuclear fuel and burying it permanently in granite. (Technology Page, August 18 1983).

Mr Copson first made his name with the oil industry for his invention of a recovery system for helium, used in the gas mixture breathed by deep sea divers. From the London offices of Cliff Oil, he and a business man, Lord Newall, are launching a venture called Ensec Ltd, to rid the nuclear industry of trash no one wants to recycle and the public no longer trusts to the nuclear industry to dispose of safely, Copson says.

Mr Copson's target is the much more voluminous category of intermediate-level wastes, not the highly radioactive waste handled by Sellafield, Cumbria, but of the kind the nuclear industry is hoping to store in ICI's anhydrite mine at Billingham. The Department of the Environment estimates that Britain will have accumulated about 25,000 cubic metres of such wastes by 1990, compared with 2,000 cubic metres of high-level radioactive wastes.

As Mr Copson sees it, the choice of Billingham by Nirex, the Nuclear Industry Radioactive Waste Executive, as a potential permanent repository for such wastes is "safe but politically and environmentally wrong". Nirex, on the other hand, has no brief from the Government to explore for repositories offshore, even in UK waters.

It is Mr Copson's contention that the public has considerable confidence in oil industry technology as demonstrated in the North Sea. He believes that a technology used to trap a potential pollutant at 10,000 lbs per square inch pressure can be reversed to store radio-



ENSEC Chief executive, Mr Alex Copson and Lord Newall, chairman.

active waste in sub-sea areas north of Scotland, just west of the Orkneys. Block 201 (Sutherland) of the North Sea has a water depth of about 300 ft and tidal currents believed to be well within the capabilities of the Ensec multi-legged jack-up. Dounreay itself has both the facilities and experience to handle raw waste and political climate willing to undertake a new nuclear industry activity. Ensec itself will not be a nuclear company, but an offshore industry company, as he sees it.

The waste will be delivered to Ensec by the nuclear industry as "torpedo-like" canisters 15 ft long and about 18 inches diameter, encapsulating the waste. These canisters will be lowered on the end of a drill string to 10,000 feet, and sealed into the bore hole with cement to a level some 500 ft from the seabed. A cement plug will then seal the string of canisters into the rock.

Only a seismic catastrophe of an order which would bring many devastating environmental problems could rupture such a repository, Copson believes.

As he envisages Ensec, its operations will begin at the dockside, as the diagram shows. The emplacement operation on the platform will be automated to minimise exposure to radiation. A dedicated rig designed and approved for nuclear operations, will cost of the order of \$100m, he says. He believes it could drill and fill a score of holes a year.

Ensec is eyeing a site with "perfect geology" eight miles offshore from Dounreay in the

active waste in sub-sea areas north of Scotland, just west of the Orkneys. Block 201 (Sutherland) of the North Sea has a water depth of about 300 ft and tidal currents believed to be well within the capabilities of the Ensec multi-legged jack-up. Dounreay itself has both the facilities and experience to handle raw waste and political climate willing to undertake a new nuclear industry activity. Ensec itself will not be a nuclear company, but an offshore industry company, as he sees it.

"I know that this is politically sound, economically sound, and environmentally sound," Mr Copson claims. He believes it will cost about five times as much as Nirex's estimates for disposal in the existing cavity at Billingham. But those estimates are irrelevant, he contends, since nuclear industry opposition will prevent the Billingham mine being used to store radio-active waste.

Mr Alex Copson says he has discussed Ensec's plan widely with opponents of nuclear energy, has met their criteria for safer disposal, and has convinced them the problem must be shifted offshore, beyond the bailiwick of Nirex, the consortium of nuclear industry interests. He is placing a contract for an environmental impact report on the Ensec operation with the Political Ecology Research Group (PERG), of Oxford, long-standing critics of nuclear industry activities.

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### Software Another 'Star' from Micropro

MICROPRO, the San Rafael, California, software house which developed the world's most popular microcomputer word processing program, Wordstar, is trying for gold a second time around. Its latest effort, PlanStar, is a financial planning and reporting system for which it claims attributes which take it out of the league of the conventional "Visicalc-like spreadsheet packages". It claims, in fact, "power and sophistication previously only available on mainframe computer systems."

Micropro is a low-profile but distinctive U.S. micro software company, which still makes most of its money from Wordstar. (Of its \$60m revenues last year, some 70 per cent came from this source.)

It is of similar size and showing a similar rate of growth to the Microsoft and Digital Research, two of the best the best known U.S. software houses. Microsoft's success is based on a version of Basic for micros and the operating system for the IBM PC. Digital's on operating systems for 8-bit and 16-bit machines.

Micropro has resolutely refused to follow the crowd in software development. It has avoided "integrated" software in favour of a menu system or "procedural interaction."

"Starburst", which carries out this function, was launched in the U.S. late last year.

PlanStar, the new package, is designed for use by accountants, managers and others who have outgrown conventional spreadsheets and are looking for powerful modelling and project analysis tools.

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UK NEWS

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Budget likely to promise £3bn tax cuts

BY MAX WILKINSON, ECONOMICS CORRESPONDENT
MR NIGEL LAWSON, the Chancellor of the Exchequer, will tomorrow paint an encouraging picture of economic prospects which he hopes will enable him to make substantial tax cuts, starting next year.

Tories to face four by-election tests

By John Hunt
THE GOVERNMENT now faces four by-elections, the largest number at one time since Mrs Margaret Thatcher came to power in 1979.

NEDC pinpoints weaknesses in the engineering sector
Fears for industry grow

BY JOHN LLOYD, INDUSTRIAL EDITOR
THE ENGINEERING industry is now an area of Government concern as fears grow over the strength of Britain's manufacturing base after North Sea oil production declines towards the end of the decade.

BA chief attacks the competitor 'vultures'

BY RAYMOND SNODDY
BRITISH AIRWAYS has described as "vultures" those competitors who are trying to gain control of significant BA routes and services before privatisation under the guise of increasing competition.

Food stores accused of abusing market power

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT
THE OFFICE of Fair Trading (OFT) has held secret hearings with the big three supermarket chains - Asda, J. Sainsbury and Tesco - about allegations that they are abusing their market power to seek unfair trading discounts from manufacturers.

After a long business meeting, a stretch on the train beats one on the motorway. Advertisement for InterCity train service featuring a man stretching and a man driving.

SAVINGS UNDER ATTACK: YOUR LAST CHANCE. Advertisement regarding Life Assurance Premium Relief in tomorrow's Budget.

CERTAIN BUSINESS TRIPS SEEM TOO SHORT. Advertisement for Sheraton Towers in Brussels.

BUGGED? THE COUNTER SPY BRIEFCASE. Advertisement for a counter spy briefcase.

airways

UK NEWS

Big clearing banks stake out major role in new-look exchange, writes Barry Riley

# Barclays plans its strategy

CONFIRMATION that Barclays Bank is to link with, and, eventually absorb, Wedd, Durlacher, means that a key piece of the new City of London jigsaw puzzle has now been put into place.

Wedd's skills in the market - it is one of the two top jobbing firms, with Akroyd & Smithers - will carry a high value in the new structure of the London securities markets.

Akroyd was snapped up last autumn by S.G. Warburg, the merchant bank, and the destination of Wedd, Durlacher has been the subject of considerable speculation in recent months.

Two other projected deals emerged yesterday: the parallel Barclays takeover plan for brokers de Zoete & Bevan, and a scheme for brokers W. Greenwell to link with the Midland Bank's merchant banking subsidiary, Samuel Montagu.

National Westminster Bank already has a stake in a smaller, but still substantial firm of jobbers, Biggood, Bishop.

This series of deals shows that the big clearing banks are determined to play a leading role in the future development of the London Stock Exchange, and in sharp contrast to the relative caution shown by many of the leading merchant banks.

Leading accepting houses such as Kleinwort Benson, Morgan Grenfell and Schroders have so far kept out of the race to bid for London firms of brokers and jobbers.

The latest round of deals, which emerged over the weekend, come within a few days of a key policy statement from Mr Robin Leigh-Pemberton, governor of the Bank of England.

Last Tuesday he gave the bank's

bleasing to an extensive reshaping of the securities market, with the setting up of integrated firms which would act both as brokers and jobbers. Stock exchange rules at present still enforce a rigid separation of these activities.

Mr Leigh-Pemberton argued that "early and substantial change is now unavoidable" to prevent London from losing out in world markets.

He encouraged the creation of British-owned securities trading

As the London Stock Exchange looks set to introduce a new trading system, Britain's big clearing banks continue to link with top jobbing and stockbroking firms in an effort to counter the threat posed by American and Japanese securities houses.

Barclays is the latest bank to announce plans to link with the jobbing firm, Wedd, Durlacher and the stockbrokers, de Zoete & Bevan. Although the bank's proposals are clearly against the spirit of the exchange's existing rule book, they are wholeheartedly endorsed by the Bank of England.

On the American pattern, such a house would be able to make markets in securities, distribute them to investment clients, manage third-party portfolios, produce investment research, arrange new issues and provide financial advice to corporate clients.

A large international house would be capable of covering foreign as well as domestic markets, straddling everything from short-term money market instruments to long-dated bonds and equities.

In London, Mr John Barkshire's recent house holdings has already declared its intention to build a UK operation to match Oppenheimer, its U.S. securities house. It is buying Alexanders, the discount house, which it hopes will expand from the money market in-

to gill-edged operations, and also is seeking to purchase a London stockbroking firm.

Another prominent contender is Mr Jacob Rothschild's Charterhouse J. Rothschild, which has important New York interests as well as merchant banking and stockbroking operations in London. It was formed at the end of last year to enable a merger of the Charterhouse group and RITL.

At about the same time, the other London Rothschild enterprise, merchant bankers N. M. Rothschild, concluded a deal with jobbers Smith Bros, aimed particularly at the gold share market.

But the only embryo securities house of any size to have sprung from within the merchant banking community is the grouping of S.G. Warburg with Akroyd, which has in turn moved to establish a joint dealing operation in international securities with brokers Rowe and Pitman.

But Rowe and Pitman's direct financial link is with Chase Consolidated - which has bought the share - 29.9 per cent stake - rather than Warburg, which denies that it is acting in concert with Charter. It is not at all clear at this stage how cohesive the Warburg-Akroyd-Rowe and Pitman grouping will prove.

Lack of financial muscle is one of the reasons for the slowness of the other big merchant banks. They have been reluctant to be rushed in to paying for stock market firms at the top of a bull market, at a time when the future framework is not at all clear. The risk for these banks would be high, given their limited size, whereas the sums involved are not too great for the big clearing banks.

# Business expansion scheme encourages investment funds

BY TIM DICKSON

A FURTHER spate of funds investing in unquoted British companies is likely in the next few months.

Investment management companies are encouraged by the substantial sums raised from private investors under the Government's Business Expansion Scheme (BES) in this financial year - most estimates put the figure at well over £40m. They are hoping to build on this success in 1984-85 by launching further funds.

Charterhouse J. Rothschild, for example, is far advanced with plans to raise £7.5m either late next month or in May. Capital Ventures of Cheltenham has beaten its rivals by announcing last week that applications are already being accepted for its second Cave fund.

The appeal of Cave and the forthcoming Charterhouse business expansion fund lies in the Business Expansion Scheme, which enables individuals to obtain full tax relief on the cost of new equity commitments to a wide range of unquoted UK companies.

Investors, however, should not be confused by the April 5 closing date given by Cave. The proceeds will not be fully invested until April 5 1985 at the earliest and tax relief

will not be available on 1983-84 income.

Several individual companies have recently announced share issues aimed at individuals still seeking a tax shelter for earnings in this financial year.

It is widely expected that most of the 20 to 25 stockbrokers, merchant banks and assorted licensed dealers which have raised money under the BES in 1983-84 will launch new vehicles in 1984-85. The timing, however, is still being considered by many of them. Managers will have to weigh the inevitably heightened interest in BES funds close to the end of a financial year, against the undoubted advantage of having time to seek suitable and profitable investments.

The first Charterhouse business expansion fund was one of the most popular. It was closed last autumn after being well oversubscribed. Charterhouse expects that many individuals unable to invest in the first fund will be interested in the new launch.

Mr Dennis Fredjohn, Capital Ventures' managing director, said last week that there appeared to be no shortage of companies looking for venture capital.

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DELTA. THE AIRLINE RUN BY PROFESSIONALS.

## Falklands trusteeship proposed

By Robert Graham

BRITAIN should consider a trusteeship arrangement for the future of the Falkland Islands, according to the Bow Group of the Conservative Party.

The trusteeship should be set up on the basis of both Britain and Argentina renouncing their sovereignty to the islands. There would be seven trustees, one each nominated by Britain, Argentina and the islanders, and the rest appointed by mutual agreement.

In its paper, the Bow Group says that Britain's main objective "must be to find a *modus vivendi* without loss of face, or of vital interests on either side; to provide a mechanism for the orderly resolution of future disputes concerning the islands; and to safeguard, as far as possible, the strategic and economic interests of the West."

A lease-back arrangement is ruled out because this would mean subjecting the islanders to total political and cultural control by Argentina on a fixed date in the future. Notwithstanding, President Raul Alfonsin's offer to give the islanders a special position guaranteed by statute, this would "probably be unacceptable to the British parliament," because of doubts about Argentina's political stability.

The Bow Group says only its trusteeship plan has a chance of realistically solving the sovereignty question and although, it requires Argentina to forego sovereignty claims "this need not be insuperable since abandonment (of sovereignty) would have to be mutual."

Future development of the islands' resources would be on a joint co-operative basis between Britain and Argentina.

## Sunday shop laws 'should be repealed'

By David Churchill

STRONG SUPPORT for changing the law to permit more shops to trade on Sunday is made today by the authoritative Institute of Economic Affairs in its evidence to a Home Office inquiry into the present legislation.

The institute, in a paper written by Lord Harris, its director, and Mr Arthur Selton, criticises trade unions and shopkeepers who want to restrict Sunday trading. The institute argues that the repeal of the present restrictive legislation would "raise the commercial efficiency of the retailing sector and enlarge consumer choice."

The authors call on the Home Office committee - which is expected to report in the early autumn - to "recommend the simple repeal of outdated restrictive statutes that are chiefly upheld by interest groups, none of which can seriously claim to speak for more than a small minority of producer interests, whether employers or employees."

They warn the committee to be wary of the "familial imbalance between the vociferous, concentrated pressure of sectional interest groups and the muted, dispersed view of the general consumer interest."

Editorial comment, Page 16

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**Expansion encourages funds**

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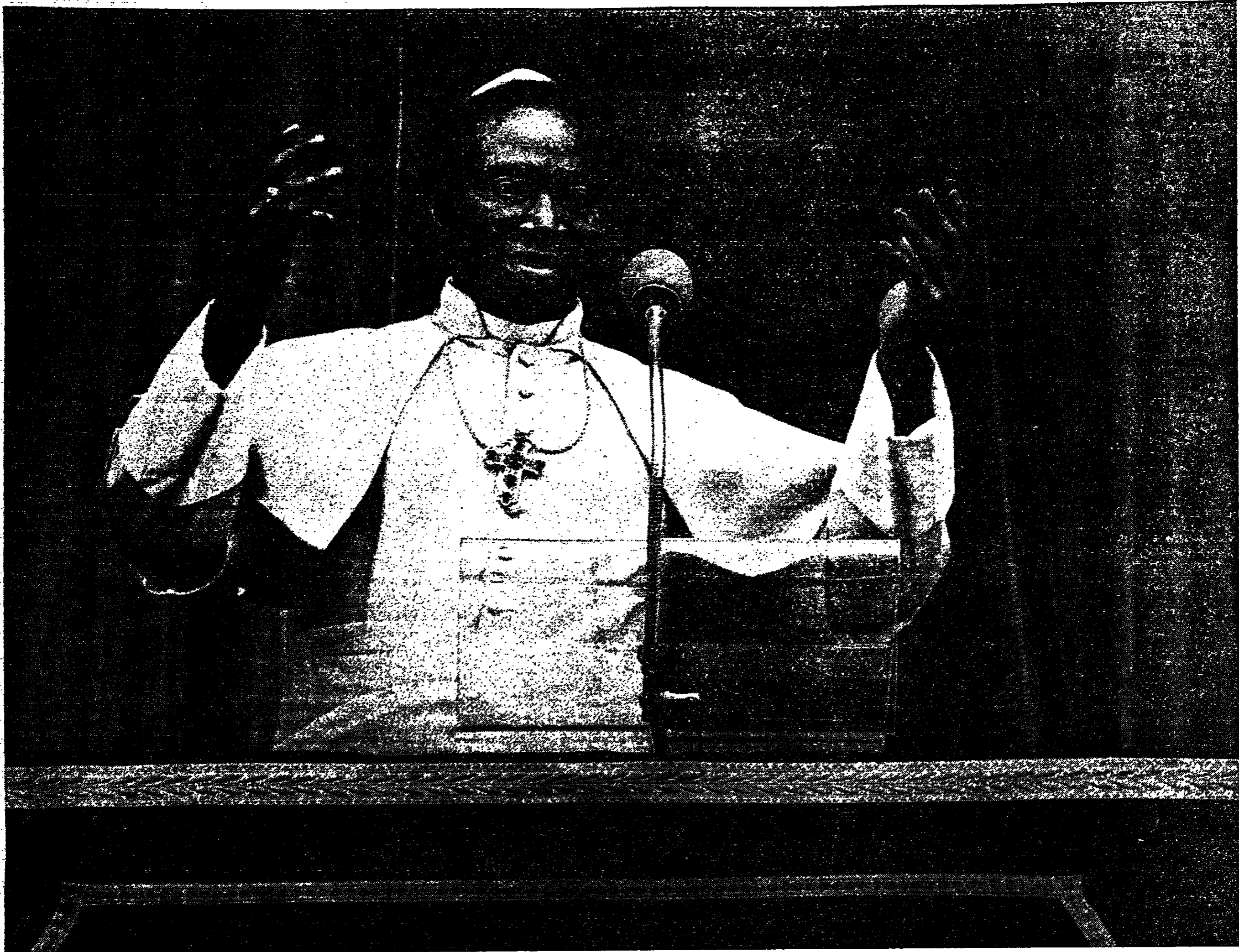
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# How often do The Economist's predictions come true?

We're not really in the predictions business. Even in 1851, when we infuriated our British readers by forecasting the industrial superiority of the United States, we didn't regard it as crystal-ball journalism.

The truth is, we've always found it difficult to write an article of consequence without looking at the consequences of certain actions.

On a number of occasions this fearlessness has made The Economist seem something of a prophet. (Occasionally, it's made us seem merely foolish.)

We were among the first to foresee the plight of the Jews under Hitler.

Nearer to present times, in the early 1950s, we warned Western businessmen to watch out for Japan. (Earlier, we'd told America to watch out for Pearl Harbour.)

In 1974, in the middle of the oil crisis, we forecast an energy glut by the end of the decade, much to the fury of Shell and the other oil companies.

And in 1982, we asked in a headline "Has young

Lochinvar come out of the West?"

We were writing about Gary Hart, then an unknown Senator from Colorado.

Of course, sometimes we've got it wrong (sorry about Korea) and doubtless we'll err again.

The occasional misjudgment, it seems to us, is better than no judgments at all.

The Economist doesn't sit on the fence. It's opinionated, independent, even quirky.

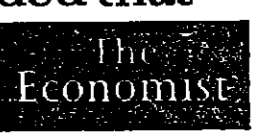
If you've never tried it we can safely predict you'll be surprised by its style and its scope.

It believes in good writing and it puts its stories across with gusto and glee.

It may give you a head start; it won't give you a headache.

Finally, we feel we should comment on the question posed by our photograph. Will there be a black Pope?

After some consultation, we've decided that this issue is best left to an even Higher Authority than The Economist.



UK NEWS

# Renault chief predicts record UK car sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A CONFIDENT prediction that the UK car market will reach a record 1.8m vehicles in 1984 has been made by Mr Patrick Faure, managing director of Renault's British subsidiary.

Mr Faure is out of step with the rest of the industry, which expects car sales to fall back from last year's peak of 1.79m. The Society of Motor Manufacturers and Traders, which represents all the large companies in the industry, is keeping to its forecast that this year's registrations will be only 1.75m.

Mr Faure claims, however, that he was one of the very few people in the UK industry to have forecast last year's record sales.

He pointed out that, given the size of population and the underlying demand for new cars, Britain should have a 2m a year car market. He said that in 1984 the UK economy was picking up and inflation and interest rates were coming

down, which all indicated another record year.

The statistics so far support Mr Faure's prediction. New car sales by the end of February were a record and 5.7 per cent higher than in the same period of 1983.

Mr Faure confirmed that Renault expects to sell about 76,000 vehicles in Britain this year, including 68,000 cars. This would take its car market share up to about 4 per cent, compared with 3.51 per cent (62,923 units) last year.

Renault's market share would be 5 per cent in 1984, Mr Faure said, because by then the complete car range would have been replaced - including the best-selling R5 and the medium-sized R18. No model would be more than three years old.

Mr Faure reported that the number of Renault dealers in Britain had been reduced from 540 to 350. He believed that the right level for the network was about 380 to 400.

# Hoverspeed may seek boost through £30m craft purchase

BY ANDREW FISHER, SHIPPING CORRESPONDENT

HOVERSPPEED, the cross-Channel hovercraft operator recently acquired by its top management, is considering the acquisition of two new large craft at a total cost of about £30m.

The company aims to increase capacity without adding to fuel costs and is talking to British Hovercraft Corporation, part of the Westland group, about possible orders for jet-engine craft in the next two years.

Hoverspeed has lost heavily in the past two years, but according to Mr Gerry Draper, the new deputy chairman and acting managing director, last year's net loss of about £3m was well down on the 1982 figure of £7m.

In the financial year to October 1984 the company expects to "make a small profit," Mr Draper said mar-

keting and reservation operations had been strengthened, and Hoverspeed hoped to improve on last year's passenger total of around 2m.

Mr Draper, a former British Airways marketing director, said each new £15m hovercraft would be able to carry 650 passengers compared with 450 on the two largest of its present fleet of six. Car capacity would also be higher.

"We aim to create new traffic and increase our share of the market," he said. Hoverspeed was formed in 1981 from the merger of British Rail's Seaspeed and the Swedish-owned Hoverloyd.

Ownership was transferred last month to a group of directors and executives for a nominal sum by

the joint owners, BR and Brostroms of Sweden. Mr John Cumberland resigned as chief executive late last year and Mr Draper entered as acting managing director.

The possibility that Hoverspeed would pull out of the cross-Channel market in the next few years, if there was no dramatic improvement in financial performance, was raised by stockbrokers Phillips and Drew in a review of the sector.

The stockbrokers said this could allow the remaining operators to improve profits substantially.

Mr Draper said the conclusions about Hoverspeed had been made on the basis of its past management and operating approach, adding that "there has been a total change of management style."

# Counting the cost of expatriate life in Asia

By James McDonald

A BRITISH company considering installing an expatriate manager in Tokyo must expect to spend £161,000 in the first year on the manager's salary, car, accommodation and allowances.

The cost of furnishing Tokyo offices for two executives and one secretary - a total of 100 square metres - could come to £13,700, according to a Confederation of British Industry (CBI) review of Asian living costs for British expatriates.

A British company wanting to go to the cheaper end of the Asian cost of living scale for expatriates, would find Sri Lanka attractive, where an estimated £11,000 will establish a manager and include salary, car, accommodation and allowances.

The CBI booklet demonstrates how living, office and entertainment costs vary widely in Far Eastern countries and it provides basic costings for companies wanting to set up industrial or sales operations.

Between the Japanese and Sri Lankan extremes in costs there is: Pakistan - £37,000 to £30,000; Malaysia - £33,946 to £141,443 per annum; Indonesia - £75,549; Republic of Korea - £84,000 to £83,000; Taiwan - £58,091 per annum; Singapore - £82,112; and the Philippines - £73,846.

The food costs for an expatriate family of four must also be calculated by any company and they vary widely throughout the Far East. In Tokyo the average weekly food bill totals £192, compared with: £48 in Bangladesh; £40 to £44 in Hong Kong; £65 in India; £102 in Indonesia; £236 in the Republic of Korea; nearly £58 in Malaysia; £83 in Pakistan; £86 in the Philippines; £78 in Singapore; and £82 in Sri Lanka.

Eating out costs for expatriates also vary considerably throughout the Far East. In Tokyo, an evening meal for four in a fashionable restaurant - three courses with aperitif and wine - costs £247. This compares with £40 in Pakistan, £49 in New Delhi and £81 in Hong Kong.

"Asian Living Costs 1984", CBI Publication Sales, Centre Point, 103 New Oxford Street, London, WC1E 118.

# Duty-free sales peg ferry fares

BY OUR SHIPPING CORRESPONDENT

BRITAIN'S cross-Channel ferry companies would have to increase passenger fares by at least 15 per cent without earnings from duty-free liquor and cigarette sales, according to an industry review.

Stockbrokers Phillips and Drew have estimated that ferry operators make profits of more than £30m a year from sales of duty-free goods.

"Without duty-free profits, we believe that ferry operators, with the possible exception of European Ferries, would be loss-making," said Mr Richard Hannah and Mr Chris Burbridge, analysts who produced the Phillips and Drew review of the industry.

Three years ago the ferry companies were floundering. A fierce price war had taken its toll of profits and 1981 proved to be a disastrous year financially for European Ferries (owner of Townsend Thoresen), Sealink, and P & O Ferries.

Phillips and Drew have estimated that 1983 profits, still to be reported, will show a pre-tax total of £21.5m for the three companies on ferry operations - £15m (£12.8m profit in 1982) for European Ferries, £4.5m (1982 loss of £5.4m) for Sealink, including its harbours profits and £2m (nil in 1982) for P & O.

This year Sealink could double profits to £9m through further gains in traffic and efficiency. The company, owned by British Rail, is due to be privatised this year. Trafalgar House, P & O, and Sea Containers, as well as a consortium formed by merchant bank Charterhouse Japhet and including National Freight Consortium, have all expressed interest.

Sealink's price could be £70m or more, depending on what happens to its £154m debt (1982 figure). The analysts did not calculate a likely sale price, but said the £26m of loan

stock and the sum due to parent BR (£52m in 1982) would probably be written off before the sale.

The Phillips and Drew study reckoned that European Ferries last year had 35 per cent of passenger volume through Britain's main cross-Channel port of Dover, against 34 per cent for Sealink (including its continental partners), and 18 per cent for P & O. The rest was mostly accounted for by Hoverspeed, the hovercraft operator.

European Ferries was even further ahead in terms of vehicles and freight volume. Since 1978, said the stockbrokers, the cost in real terms - after adjusting for inflation - of crossing the Channel had risen by 20 per cent for peak holiday months and fallen by 35 per cent for the off-peak periods.

Sealink and P & O have shown the greatest rates of improvement in efficiency in the last four years.

# Property tax to rise 5%

BY ROBIN PAULEY

THE AVERAGE rise in English rates (property taxes) on business and commercial premises will be 5.1 per cent this year, according to an analysis by the Chartered Institute of Public Finance and Accountancy (CIPFA). The average rise for domestic ratepayers will be about 3.7 per cent.

The increases are the lowest since local government was reorganised in 1974.

As usual, there is a wide disparity between rate rises in different local authority areas, some being more than 15 per cent, or three times the

expected inflation rate for the year.

Inner London ratepayers again face the largest increases - 7.5 per cent more for the average domestic rate and 6.8 per cent for the non-domestic rate.

The changes mean that the average English domestic rate bill is likely to rise to about £320 in 1984-85, an increase of about 34p a week.

CIPFA says its analysis shows "Government pressure is having an effect and local authorities have made significant reductions in their real spending levels."

# Collector's item



This little beauty (circa 1980s) is what we at Dr Barnardo's know the value of.

You may have some in your attic (or even in your pocket). They're worth more than you think, especially to the 9,000 plus handicapped and deserving children we help every year.

Add to our collection, please. Even if they're not in mint condition, we'll soon have them in working order. Our house to house collection takes place between 5th-17th March.

If however you don't receive an envelope but still want to help please use the coupon below to send your donation to:

Nicholas Lowe, Appeals Director, Dr Barnardo's Tanners Lane, Barkingside Ilford, Essex, IG6 1QG.

Please accept my donation of \_\_\_\_\_ to help over 9,000 children.

Name \_\_\_\_\_

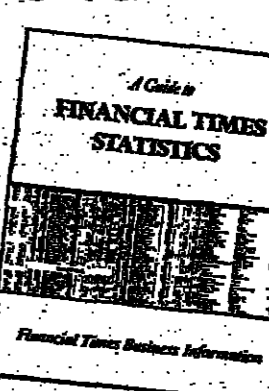
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You can make your donation by telephone if you have an Access or Barclaycard. Just ring Teledata on 01-200 0200, quoting your card number and Barnardo's Room No 296.



# A Guide to Financial Times Statistics

New 1984 Edition  
Price: £9.50 UK or £11/US\$19 overseas



Prices include postage and packing. Available from: The Marketing Dept, Financial Times Business Publishing, 102 Clerkenwell Road, London EC1M 5SA. Tel: 01-251 9321. (Mail order address only).

# "Northern Ireland's skills and dependability are vital ingredients for our competitive edge."

Norman Mischler, Chairman, Hoechst U.K.

## Fact 1

On the banks of a German river, over 100 years ago, four enterprising young men started a business. Beside the river Main they founded a small dyestuffs factory which has now grown into one of the world's leading chemical companies. That company's name is Hoechst.

Today Hoechst markets a huge range of products including dyestuffs, pharmaceuticals, plastics and veterinary products. But perhaps one of its best known names is Trevira®. Trevira® polyester fibre and yarns are well known for their uses in clothing, home textiles and industrial textiles. Trevira® yarn and technical monofilament yarns are produced in Northern Ireland, where Hoechst relies upon the skill and efficiency of its workforce to maintain competitiveness in today's man-made fibre markets.

## Fact 2

Luckily, the good news about Northern Ireland's high productivity travels almost as fast among some industrialists as bad news does in the media, which perhaps explains why 0 plants have set up almost unnoticed in Northern Ireland in the last 10 years. European companies, like Hoechst, STC and Philips, have joined many successful American companies, including Du Pont and General Motors, in judging Northern Ireland on its merits. They are delighted with the results.

## Fact 3

A technically gifted workforce and a unique relationship between unions and management results in consistently good industrial relations and productivity. For example, in 1982, an average of less than one hour per man per year was lost due to industrial disputes of any kind.

## Fact 4

We have an efficient infrastructure; our ports, airports, roads, telephone and telex are geared to modern business needs. Their consistent reliability makes first class delivery performance possible for every company operating in Northern Ireland.

## Fact 5

For a company looking to both short-term and long-term profits, our financial package is irresistible. Your fixed capital costs can be reduced by up to 90% and many companies pay no Corporation Tax.

## Fact 6

Sailing in Northern Ireland's coastal waters is only one of many leisure activities enjoyed by foreign executives and their families. In fact sailing is an extremely competitive sport in Northern Ireland with regular racing and even flotilla cruising to nearby Scotland, Isle of Man, England and Wales. Often executives and their families like the lifestyle so much that they are reluctant to return home even to accept promotion.

## Fact 7

Our researchers tell us you may not believe these facts at first! So why not accept this challenge from companies which have already committed themselves to investment in Northern Ireland - "Visit us and we'll show you the facts". To arrange a visit to a successful company in Northern Ireland call or write to John Hughes at the address below.

Sounds surprising?  
Please judge us on the facts.

Sailing, Belfast Lough



# Northern Ireland

Judge us on the facts

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Forward Trust, part of the Midland Bank Group, has long experience in looking after deposits from expatriate investors. We currently have account holders in 97 countries.

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10.50% p.a. for the next three years. If you choose to receive interest twice yearly your guaranteed rate will be 10.75%. Either way, over the next three years you will receive a regular, predictable income without deduction of tax.

So if you are looking for a safe secure investment with either guaranteed growth or guaranteed income, start straight away by sending your cheque with the coupon below.

If you wish to invest for some other period (from 1 to 5 years) or if you would like more information about our wide range of investment schemes, just tick the box in the coupon and send it to: Maurice Hughes, Deposits Department, Forward Trust Limited, 12 Calthorpe Rd., Edgbaston, Birmingham B15 1QZ, United Kingdom or tel: 021-454 3696. These rates apply to deposits received on or before 31st March 1984.

Forward Trust Limited, Deposits Department, 12 Calthorpe Road, Edgbaston, Birmingham B15 1QZ, United Kingdom. (Registered office - Registered in England No. 228740)

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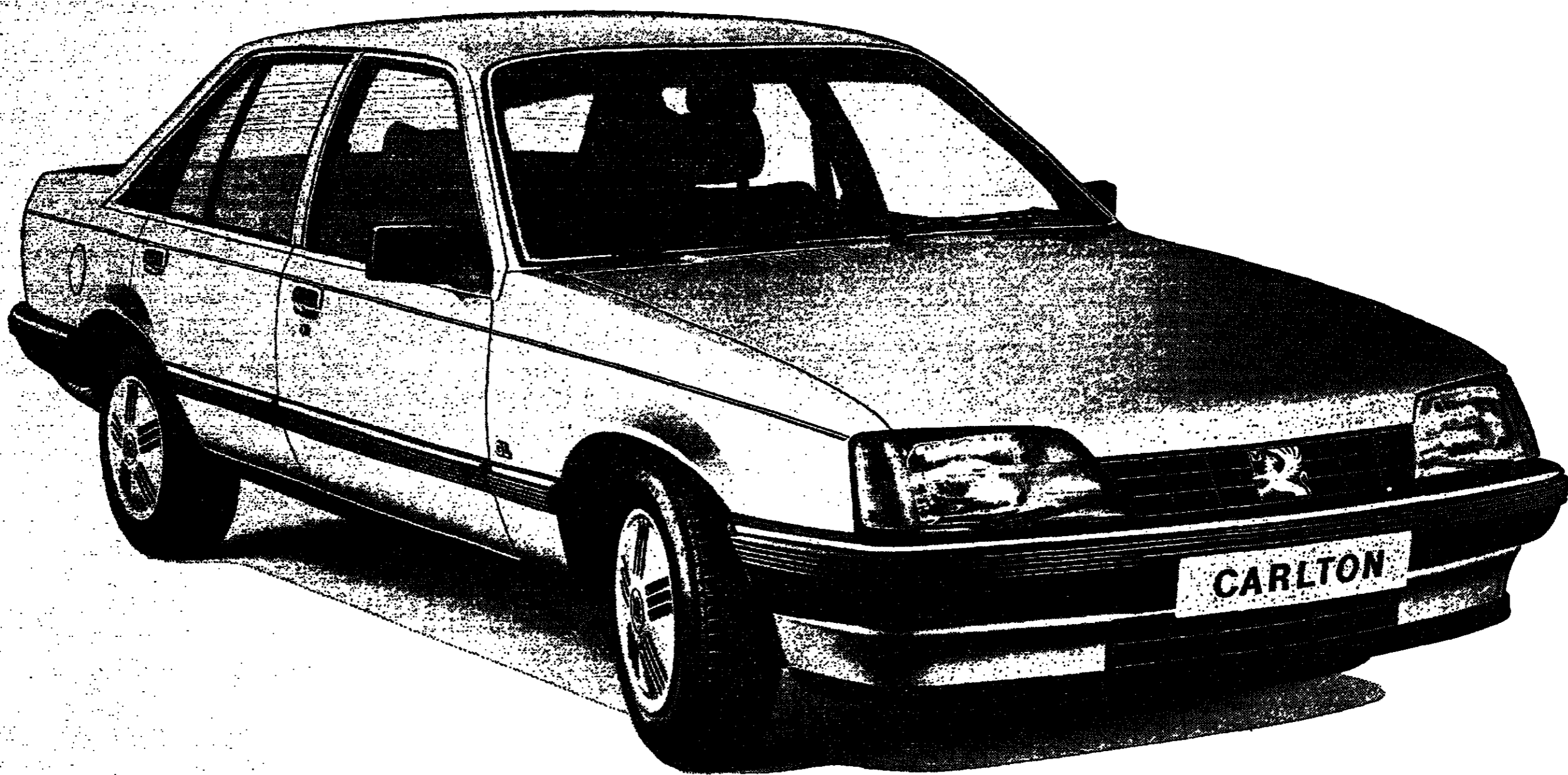
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John Mischler



# THE CARLTON 1.8 LITRE. BIG ON THE ROAD, SMALL ON YOUR TAX RETURN.

Our good friends at the Inland Revenue feel that there's a world of difference between the Vauxhall Carlton 1800 and any 2 litre you may care to name.

They place them in different personal car tax brackets.

Most generous, when you consider the way in which the Carlton 1800 resembles a 2 litre.

Its cross flow alloy head engine propels the car to 107 mph. Mind you, its decibel figures are decidedly low.

Being finely tuned for Low End Torque, its higher gearing makes for quieter driving.

And more insulation has been sandwiched between the engine and passenger compartments for a quiet life inside.

Stand outside the Carlton GL and you will admire aerodynamic bodywork with bronze tinted windows and headlamp wash/wipe.

Ease yourself into the velour seats and you'll find electrically heated and operated door mirrors, central door locking and a radio/stereo cassette. Plus ample room to stretch your arms and legs.

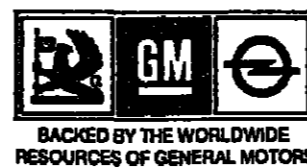
What's more the driver's seat has recline and height adjustments and the steering wheel can be tilted to suit a variety of driving positions.

But unlike a 2 litre the Carlton 1800 will return 47.9 mpg at a constant 56 mph. At 75 mph it does 35.8 mpg.

The Carlton also spoils you when it comes to choice, with four engine options, three trim levels and two bodystyles.

And the range starts from £7374. A figure that includes VAT and car tax.

Sadly, that's something we can't help you avoid.



**VAUXHALL CARLTON.**  
Better. By Design.

PRICE CORRECT AT TIME OF GOING TO PRESS, INCLUDING CAR TAX AND VAT, DELIVERY AND NUMBER PLATES. MANUFACTURER'S PERFORMANCE FIGURES AND DOT FUEL CONSUMPTION TESTS MPG (LITRES/100KM) FOR 1800 SALOON (5-SPEED MANUAL): URBAN 26.4 (10.7); CONSTANT 56 MPH 47.9 (5.9); CONSTANT 75 MPH 35.8 (7.9).

March 12 1984  
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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS
Current: Daily Mail Ideal Home Exhibition (01-223 8241) (until April 1)
March 12-15: International Rubber Exhibition and Conference - RUBBEREX (01-588 7788) NEC, Birmingham

OVERSEAS TRADE FAIRS
March 12-15: Saudi Oil Show (01-498 3741) Saudi Arabia
March 12-15: International Electrical and Electronics Show (01-498 1951) London
March 12-15: The Semicon/Europea Electronics Show (01-353 8807) Zurich

BUSINESS AND MANAGEMENT CONFERENCES
March 12-13: FT Conference: Pensions in 1984 - a time for change (01-223 8241) Dorchester Hotel, WI
March 14: Institute of Credit Management: National Conference (Stamford (0780) 5677) London Hilltop, WI

APPOINTMENTS

Southern Electricity chairman named

Mr Duncan Ross, chairman of the Southern Wales Electricity Board, has been appointed chairman of the Southern Electricity Board. He takes up his appointment on April 1 following the retirement of Mr John Wedgwood.

Mr Graham J. Westall, an associate director at R. M. DOUGLASS CONSTRUCTION, is to run the company's newly formed management contracting division.

Mr James Fowler has been appointed a non-executive director of TRIPLEZ FOUNDRIES GROUP. From 1976 he was commercial director at Round Oak Steel Works until its closure in December 1982.

CONSTRUCTION CONTRACTS

£22m work for Lilley Group

F. J. G. LILLEY group has been awarded contracts totalling £5.68m in the UK and £17m in the U.S. made up as follows: Eden Construction - New gatehouse complex at Epsom, Durham, for Home Office, value £3m; and refurbishing at Kempall roundabout for Cumbria County Council, value £100,000.

GLEESON (SHEFFIELD), a subsidiary of M.J. Gleeson Group has been awarded three refurbishment projects worth over £2.4m in Sheffield at a contract worth £628,000 for the refurbishment of a Victorian three-storey tenement block of 54 flats known as Hawley Street, Phase 1, Townhead Street.

Work has started on the construction of McARTNEY & STONE'S Homecare House, a 1,770sq warden-assisted sheltered homes scheme in Sutton Road, Seaford. The project is due for completion in December.

Building great expectations from your specifications



£5m batch for Bowey

BOWEY CONSTRUCTION, Newcastle, has won contracts totalling over £5m. The biggest, for just under £1.25m is the fourth phase of modernisation of three-storey housing in Longbenton for North Tyneside Borough Council.

Work has started on the construction of McARTNEY & STONE'S Homecare House, a 1,770sq warden-assisted sheltered homes scheme in Sutton Road, Seaford.

HQ for Volvo BM

An artist's impression of the new headquarters to be built for Volvo BM UK. A contract worth over £5m has been awarded to RYMER AND KETTLER, part of the Mowlem construction group.

Who cares? - the Royal Star & Garter. Since 1916 The Royal Star and Garter has been a true Home for disabled ex-Servicemen of all ranks.

HQ for Volvo BM. An artist's impression of the new headquarters to be built for Volvo BM UK. A contract worth over £5m has been awarded to RYMER AND KETTLER.

COMPANY NOTICES

ROBEKO N.V. ROTTERDAM. ANNUAL GENERAL MEETING OF SHAREHOLDERS.

ROBINCO N.V. ROTTERDAM. EXTRAORDINARY MEETING FOR SHAREHOLDERS.

LEBANON

TENDERS FOR THE SUPPLY OF EQUIPMENT FOR THE PORT OF BEIRUT.

Due to the prevailing situation, the Council for Development and the post-arrangement of the adjudication of tenders due to take place on March 15th at 10.00 a.m. and its extension to April 19th at 10.00 (local time).

LEGAL NOTICES

IN THE MATTER OF SEW-KINT (BIRMINGHAM) LIMITED v/s M. DISCOUNT WAREHOUSES AND IN THE MATTER OF THE COMPANIES ACT 1948.

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 21st day of March, 1984, to send in their full and complete claims.

PERSONAL

BLUE BIRD GOLD BULLION BAR - THE DELICIOUS LONGER LASTING TOFFEE ONLY 10p!

CLUBS

EVN has notified the other because of a policy of withdrawal from the market from 10.30 am. Disco and the market.

WE THE LIMBLESS, LOOK TO YOU FOR HELP

We come from both worlds. We come from Korea, Korea, Malaysia, Aden, Cyprus, Uganda and from Falklands.

ART GALLERIES

MAILL GALLERIES, The Mall, SW1, ROYAL INSTITUTE OF PAINTERS IN WATER-COLOURS, 10-25 March, Mon-Sat, 10-5, Adm. 51.

LIBRA BANK LIMITED

For the three months 12th March, 1984 to 10th June 1984, the Notes will bear an interest rate of 10% per annum and the coupon amount per US\$100,000 will be US\$ 2,715.28

NOTICE TO HOLDERS OF U.S. \$100,000 10% NOTES

By order of the Board of Directors, T. M. SCHOLTEN, Managing Director.

LIBRA BANK LIMITED

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ROBEKO N.V. ROTTERDAM

AGENDA: 1. Opening, 2. Proposal to amend the Articles of Association, 3. Change of name from ROBEKO N.V. to ROBEKO B.V.

ROBINCO N.V. ROTTERDAM

AGENDA: 1. Opening, 2. Proposal to amend the Articles of Association, 3. Change of name from ROBINCO N.V. to ROBINCO B.V.

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

NOTICE IS HEREBY GIVEN that the 143rd Annual Meeting of the Association will be held on Wednesday, 14th March 1984 at 12.30 pm to elect the following:

ENGLAND AND DUTCH INVESTMENT

NOTICE IS HEREBY GIVEN that the 143rd Annual Meeting of the Association will be held on Wednesday, 14th March 1984 at 12.30 pm to elect the following:

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PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Any one wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Advant... Apr 15 Interim 2.1, Anglo... Apr 15 Interim 1.5, Inv Trust... Apr 15 Interim 0.35

Ass B... Apr 15 Interim 0.35, Automobile... Apr 15 Interim 0.35, BAT... Apr 15 Interim 1.0

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Production in the ascendant

BY MICHAEL DIXON

GUESS who wrote: "I would not say a man in business needs to know nothing at all about finance but he is better off knowing too little than too much, for if he becomes too expert..."

The answer is Henry Ford, who built his success on the philosophy that business's prime aim must always be to provide value for service to the community.

Had he lived longer, Ford would no doubt have repeatedly shouted his better known saying - "History is bunk" - with particular reference to the recent history of industrial management in Britain at least.

Industrial

The survey trend was underlined by frequent, although usually private, comments from other managers.

But a sign that might have restored Ford's faith in Britain's industrial future has just appeared in a survey carried out by the Kiernan executive recruitment consultancy of the chief executives of 150 of its client companies.

The study of the chief executives was made this year to check on how their character had changed since Kiernan made a similar survey covering a comparable sample of companies in 1974.

Then, specialisation in finance had a clear lead among the managerial functions through which the chiefs had

risen to the top - 55 per cent of them citing it as a decisive if not the only area of their previous executive experience.

Ranking

The 1934 findings are impressively different. The specialisation with a clear lead among the chiefs of today is production, cited by 49 per cent as important if not the sole area of their previous experience.

Moreover, excluding those who had previously been chief executives of other companies, 23 per cent had stepped straight into the top job from the specialist role of financial director - exactly the same proportion who had first gained experience across the broad range of executive responsibilities in the role of general managers.

What's more - again excluding those who had previously been chief executives elsewhere - only 7 per cent had gone straight to the top from a financial director's job. The proportion who had first gained broad experience as general managers is now 43 per cent.

If the philosophy behind Henry Ford's successful pioneering is germane to the innovative challenge facing British companies today, the company chiefs seem better fitted to act on his dictum that financial objectives should exist to serve industrial advance, and not the other way round, always provided that the new bosses keep in mind his other maxim that nevertheless business must be run at a profit, else it will die.

"My Life and Work; Heinemann (1922).

suppliers such as the French forgemaster, Aciers La Chiers, which produces seven different parts for Eaton, five of which give Eaton a 100 per cent confidence factor and with 99 per cent for the other two.

Neil Wade, Eaton's purchasing manager, says of foreign suppliers: "They don't let the rubbish out of the door and they check their tooling more often."

Six years ago 90 per cent of castings for Eaton's transmission operations were UK produced. Now it is just 10 per cent.

Eaton concedes, however, that although quality is crucial price is also very important. Supply trends reflect, for example, the currency exchange rate with the Belgian franc and export assistance provided by the Spanish government to its own producers.

Price is by far the most dominant factor for bearings, however. Quality hardly varies between bearing manufacturers yet supply from the UK to Eaton has collapsed from 100 per cent to 20 per cent, replaced largely by Japanese manufacturers.

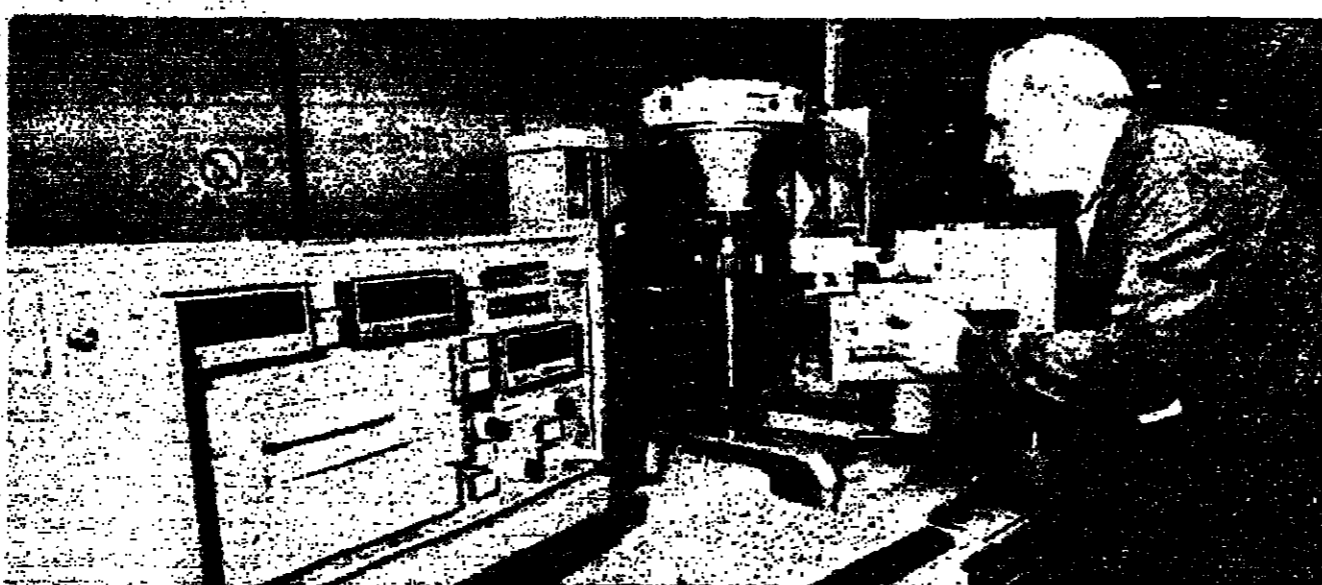
In the drive to improve quality Eaton's "problem-solving circles" have had a small impact. One notable example was the fitting of a stud to a shaft, made difficult because of the amount of swarf around the thread.

Under the vendor ranking system, any supplier falling below an Eaton confidence factor of 97 per cent (which means Eaton is taking a 3 per cent risk that it will not have to reject more than 0.5 per cent of parts from its supplier) starts to collect stars and will receive a telephone call or, more likely, a visit from Eaton's purchasing and quality departments.

This is a system developed since it was first introduced four years ago. At that time Eaton drew a line at a confidence factor of 95 per cent. Any supplier below that or failing to reach it within a short time was chopped from the list.

Remaining suppliers were told that Eaton's objective was a confidence factor of at least 95 per cent.

Eaton says British suppliers (with some notable exceptions such as Garringtons, the GKN forgemaster) have performed badly on quality. Some make temporary efforts to improve but are not consistent. This compares with many foreign



At Eaton's transmission division, computers check the quality of a gear which can hold a 38-ton truck on a hill

How Eaton achieved a zero defect rate

Nick Garnett opens an occasional series on product quality

from machining. Stud holes might be drilled slightly out of position or the half from the front of the gearbox into the clutch plates would be ground marginally oversize. Paintwork on castings wouldn't be up to scratch or there would be evidence of rust.

Some of these problems were rooted in the suppliers of Eaton's suppliers, but Eaton itself showed a general inability to respond quickly to small specification changes made by the truck assemblers - the route of a hose for example or the positioning of a coupling flange.

Many of these problems were small enough to be rectified on the truck assembly lines and some were not strictly quality issues at all, but the overall impression Eaton was creating was not good.

At the same time quality pressures were mounting as truck markets shrank. Best remembers the philosophy of the industry during the massive expansion of the 1960s and 1970s. "It didn't have to be good it just had to be made."

After the report on its quality image Eaton began to rectify the problem. Fortunately, perhaps, a fire at the company's

Walkden plant on the edge of Manchester offered Eaton the opportunity to construct a new facility.

The quality department was involved in the re-equipping of the new plant, which came into production in 1981. As part of that instruments were incorporated on machines for gauging machining work and free-standing inspection equipment was introduced.

Best argues, though, that it is not the type of gauging and inspection which is important. The other Eaton plants have less modern equipment but the same overall quality requirements are placed upon them.

What is important is the setting of quality targets and installation of procedures that enable statistical information to be used in respect of in-house and supplier manufacturing activities.

Eaton's target was a reject rate of less than 1 per cent. Capability studies were carried out on all machines. This, for example, provided the main clues as to the frequency of inspection required on the turning.

Quality audits revealed a problem with the clutch housings Eaton made in-house

and detailed machine capability studies again revealed both the limitations of the manufacturing equipment and the level of inspection needed to maintain quality.

Sampling analysis to produce statistical probabilities on which the frequency of tool changes or re-adjustments are based is also applied to bought-in items. A quality control survey on a vendor-supplied shaft which runs through the transmission gears showed that the shaft had a tendency to be ground oversize. Discussions with the part manufacturer resulted in more frequent adjustments to the grinding wheel.

Bob Jackson, the American manager of the Manchester plant, says the theory of statistical quality control has been little used in British industry. Jackson, along with all the other Eaton plant managers and many of its machine operators, have been sent on statistical control courses to improve their understanding of the technique.

Quality procedures have also allowed Eaton to follow the growing trend of inspection by machine operators at the point of pro-

duction, allowing a reduction in specialist inspectors.

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Lloyds Bank 1983 Results

Profit recovery in difficult conditions

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This brings Group share capital and reserves to £2,193m and helps to support total lending of £30,300m and a total balance sheet of £38,432m.



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THE ARTS

Architecture

Colin Amery

No place like home

Despite the fact that this year is the 150th anniversary of the Royal Institute of British Architects and we are all supposed to be celebrating the Festival of Architecture, there is one world that is amazingly untouched by the hands of the architectural profession.



Thatched cosiness in Earls Court

Six types of new house have been built in Earls Court around an aviary—which gives the show its theme "where ideas take wing." What few ideas there have been in the housing market in the last decade seem to have flopped pretty heavily to the ground in the 1984 exhibition.

It is hard to imagine why architects have so little impact on an area which should be their sovereign territory. The home is where we live and breathe and develop our imagination.

Architects have completely missed the bus. The spec builder is as likely as not to employ a surveyor to draw up a few plans, and the powerful myth, "the market" is allowed to determine exactly what is built.

This year a visit to Earls Court can really only be recommended for bird fanciers. The first thing you see is a flock of giant hummingbirds swinging crazily above the green and yellow nylon carpet tiles and potted azaleas.

At the heart of the show is the village of houses and the star of the collection is undoubtedly a house which is called The Architectural Services House of the Year.

The old cry is that the demand is for "traditional" houses. The problem is that the versions of the great vernacular tradition that are produced are crude, built of synthetic materials and decorated to such an extent that the average cottager of the late 19th century would not give them a second glance.

Let there be no doubt that this house is the star of the exhibition. The architectural profession missed their chance this year to inform the vast public who want to live in new houses that good design can be achieved.

show. Long, long queues wait to enter its cosy portals—lines far longer than those for any state home or museum of design. What has gone so badly wrong—how can the mass market have declined to the level of a Disney-like view of architecture for the home?

Opposite the thatcher's homestead is the dream office of the business-like Sir Lawrie Barratt. Barratt Developments plc are Britain's biggest house builders. They have evolved an efficient strategy that encourages home ownership through mortgage arrangements and the building of particular types of houses for young single people and the retired and all the house buyers in between.

The world of design shown annually in London at this trade fair presents a sinister vision of the world on the average Briton. Can it be true that we really need all the sun beds, vitro massagers, security systems, portable baby chairs, noodle makers and spa baths that litter the exhibition this year?

The architectural profession missed their chance this year to inform the vast public who want to live in new houses that good design can be achieved. The RIBA should have sponsored a house of 1984 that could so easily show that there is room for art and commerce to unite.

The Aspern Papers/Haymarket

Michael Coveney

Michael Redgrave adapted Henry James's novella in 1959 for a famous production starring himself, Flora Robson and Beatrix Lehmann. Now, at the Haymarket, we have Christopher Reeve as the inquisitive American scholar, H.J., Vanessa Redgrave as Miss Tina and Wendy Hiller as her aunt, Miss Juliana Bordereau.

The play is not exactly a travesty of Henry James, but it makes for an un-Jamesian sort of melodrama and, in its own way, a rather good one. Redgrave's sure theatrical touch is everywhere apparent, but the director Frith Banbury has confused the rhythm of the evening by dispensing with the three act structure.

Redgrave also makes some important shifts by suggesting that the papers would transform Jeffrey Aspern's reputation instead of adding to a body of available knowledge; and by inserting an evasive relationship between Miss Pradon and H.J. that hints at pretexts in the scholar's estimation of women in general.

Shostakovich's fourth symphony is generally accounted one of the failures in the canon. parcellled up with the Second and Third as examples of the composer's "expressionist" period. That the score was withdrawn before the scheduled premiere in 1936 and was only introduced, in a revised version, 25 years later has tended to obscure its stature even more; on one now can determine whether Shostakovich found it unacceptable on purely structural grounds, or whether political pressure in the wake of the denunciation of Lady Macbeth of Mtsensk forced his hand.

represents that original version is likewise a mystery. It was revised several times over a number of years, and Shostakovich still admitted dissatisfaction with the structure shortly before his death. Yet what we have is much more than a splendid failure, as Gunther Herbig's account with the BBC Symphony Orchestra at the Festival Hall on Friday admirably demonstrated. With his undaunted, precisely measured approach Mr Herbig convincingly linked the symphony to its successor in several aspects: though Shostakovich labelled his Fifth "a Soviet artist's reply to just criticism," it is evident from

littered with sharp, hissing intakes of breath as he snatches at his words, nothing produced by breathing properly or using the diaphragm. His hands too are a severe liability, fluttering into whimsical, camp little gestures or else mysteriously diving downwards in a claw formation as if miming how you press a bucket on the beach in order to make a sandcastle. Even enmeshed in their pockets, these hands cannot be relied upon to stay still. They wriggle and twiddle away like eels on a fish stand.

You notice all this the more because of the artistry opposite him of Vanessa Redgrave. This is a house where youth and hope have been buried for years and Miss Redgrave first peers round the door, hunched and wispy-haired, in a black shawl and woollen half-gloves. Immediately, she has gone to the very limits of the character, staked out the ground, the possibilities in the role. It is a masterful performance, undergirded by a superbly controlled, extraordinary changes of mood all within the show-stopping of the withered petals under the pale sunlight of H.J.'s presence.

The tragedy of Tina is that she takes H.J.'s romantic pitch for real. He is using her, just as, in a different way, Wendy Hiller's delightfully lively old aunt is using H.J.'s exorbitant rent to line her niece's nest. Tina has a chance of coming alive, perhaps for the first time, and when Miss Redgrave sings some, not very good lyrics to a not very secure tune, she is transfixed in a melismatic wash of tears, memory, childhood and despair. You know, as indeed you always know with Miss Redgrave, that you are in the presence of great acting. The Venetian sala of decrepit furnishings and slatted windows giving on to the garden is designed by Carl Toms.

BBC Symphony/Festival Hall

Andrew Clements

Shostakovich's fourth symphony is generally accounted one of the failures in the canon. parcellled up with the Second and Third as examples of the composer's "expressionist" period. That the score was withdrawn before the scheduled premiere in 1936 and was only introduced, in a revised version, 25 years later has tended to obscure its stature even more; on one now can determine whether Shostakovich found it unacceptable on purely structural grounds, or whether political pressure in the wake of the denunciation of Lady Macbeth of Mtsensk forced his hand.

the Fourth that the seeds of his new symphonism had already taken deep root. Traces of the flamboyant, outrageous gestures that make up the second and third symphonies are still present here. The orchestra is a huge one; the elements of traditional symphonic form are often willfully obscured or distorted. Many of the climaxes (in the rambling first movement at least) are excessively brash; there is a self-indulgent tendency to parody any and every theme. But to reject the whole edifice on that basis would be to lose the charmingly shaped and powerfully central Moderato,

and the genuinely symphonic moments in the finale, when Mahler's influence makes itself felt in Shostakovich's music for the first time. Mr Herbig and the orchestra did such a persuasive job in holding together this edifice and at the same time conveying something of its huge energy that one quite forgives the trah Stravinsky—they had suffered before it. Erich Grunberg had been the soloist in the violin concerto, careful and tidy, but consistently under-characterising the movements. Mr Herbig had taken the BBCSO through *Finestrada* without revealing any of its sparkle or vigour.

The School for Wives/Churchill, Bromley

Martin Hoyle

Terry Parsons's set gets the well-paced, straightforward performance off to a good start. A blown-up townscape engraving slides into panels depicting an interior, while the banking façades similarly swivel round to show their reverse, in the manner of the National's *Primals*—a good example to follow. The popular attraction of Roger Redford's production for the Churchill is Terry Scott as the hoodwinked Arnolphe. In

a grey wig, this peppery, neckless bull frog resembles a cross between Dr Johnson and Butcher Cumberland apologetically sighting a stray Highlander. He attacks the part with gusto, sometimes rivalling Richard Briers's legendary Hamlet in his apparent attempt to rattle through a classical role at top speed. Despite occasional verbal fluffs and floundering, this tricked old tyrant is as enjoyable in his restraint as in his

relish. The veteran of TV comedy and several *Carry On* films, Mr Scott could even let himself go a little more. Nobody can look quite so agitated and would with more of those complacent smirks freezing into incredulity. The young lovers are equally vigorous. Peter Woodward's suitor is a full-blooded romantic (referring to us Or else by the more cosmopolitan members of the cast, though Mr Scott settled for an uncomplicated Horace à l'anglaise) and Julie Dawn Cole's sheltered ward, convent-reared as a custom-built bride for her elderly guardian, manages to be pretty, innocent and totally un-wet, though never clearing up many memorable apparent distasteful flirting incidents. A couple of near-grotesque servants steer well clear of caricature, and Miles Maleson's adaptation comes over as surprisingly fresh. A brisk, enjoyable evening with no more reverence towards a classic. West End managements please note.

Fischer and Bolet/Barbican Hall

Dominic Gill

I like the young Hungarian conductor Ivan Fischer's firm technique and easy, lucid style; but for some reason he doesn't unfailingly draw from the London Symphony Orchestra their biggest string tone, keenest attack or liveliest response. Their programme on Thursday, also broadcast on Radio 3, ended with Dvorak's eighth symphony and opened with Schubert's Unfinished. In the Schubert especially, the orchestra gave courteous cooperation that lacked a fine cutting edge of enthusiasm; the performance was suave and well made enough, but it never felt the ground.

The two works in which the pianist Jorge Bolet was the soloist, however, took off with splendid effervescence and glitter. Liszt's wild (and for the 1830s wildly avant-garde) *Totentanz* is musically more than a little preposterous—but it is nothing if not colourful, and a great deal of fun. Bolet spun off its variations with mar-

vellous elegance, and most sophisticated devilry, and worked the same magic to still greater effect on Liszt's less well known *Fantasia on Hungarian Folk-tunes* (S123) for piano and orchestra, which is actually a rather better piece (the traditional Hungarian tune of "Moha's Field" is more interesting, and far more rewarding of elaboration, than the *Dies Irae*). Those who heard it will be as glad to know as those who did not that both works, played by the same forces, are soon to be issued on record.

The next South Bank Swing Session will be held on Saturday March 24 at the Purcell Room with pianist Eddie Thompson, Len Skeat on bass and Jim Hall drums. Special guests will be trombonist Roy Williams and saxist/clarinetist Johnny Barnes. The concert begins at 7.30 pm.

Endymion Ensemble/St. John's

Max Loppert

This is Harrison Birtwistle's 50th year. Starting the round of birthday tributes, the Endymion Ensemble has put together a series of chamber concerts in which Birtwistle's pieces are set among those of other composers. Thursday's at St John's may not in truth have contributed a very large Birtwistle tribute—the works were the short *Monody for Corpus Christi* (1959) and the tiny *Stravinsky Tombeau* (1971), but as both leave an impression out of all proportion to length, the proper point was made after all.

The *Monody* is one of the most beautiful, and also most startling, of Birtwistle's earlier scores—and saying that, about a composer whose genius has always been for creating beauty that startles, is saying a good deal. The levels on which it operates are many, complex, and full of resonance; the carol and devotional poem texts, declaimed with fire in brilliant, adamant vocal writing, are

those uppermost; the fusion of Christian and pre-Christian (and perhaps also post-Christian?) modes of thought and feeling is achieved with a clarity of vision whose inevitability was matched only by its unpredictability. It is a score that is ageing exceedingly well. The Ensemble and its conductor John Whitefield had the wit to engage a soprano, Wendy Wansley Clark, with exactly the crystalline, exact, unlettered tones required—qualities well matched by flute, horn, and violin. Miss Walsmsley-Clark was even more accomplished in the rapturously swooning and soaring line (complete with *F in altissimo* of Henze's Rimbaba cantata with harp and four cellos, *Being Beateus* (1963), one of the composer's most successful (because most personal) romantic effusions. Henze's *Quattro fantasie* and works by Lutoslawski and Varèse completed the bill; it was a good concert.

Varsovia Quartet/Wigmore Hall

David Murray

There was much pleasure to be had from the Varsovia String Quartet on Friday. They are spirited Polish musicians, with a ringing sound than is cultivated by fashionable cosmopolitan quartets, and less homogeneous. Their leader obviously leads (and their cellist failed to carry his weight in Szymanowski), though each player shone at various moments during the evening. In quick scherzo-passages their ensemble wasn't flawless. They addressed themselves to their music—with committed seriousness, and that brought its own substantial rewards.

The special attraction was the Second Quartet of their compatriot Szymanowski. Composed in 1927, it has the deliberate "national" tints and the spare

silhouette of his later music, but also much of the enraptured other-worldly tone that makes the First Violin Concerto so haunting. Yet there are striking parallels with the tough rhythmic devices of Bartok's 3rd and 4th quartets, which were themselves products of 1927-28. It is easy to imagine that Szymanowski's quartet might suddenly be taken up by many performing quartets; certainly the Varsovia players made a powerful case for it, even without the enormous weight of tone that Szymanowski sometimes requests.

In Mozart's Quartet in G, K387, they were alert and sharp, even prickly. It gripped one's attention, and satisfied it. After the interval came Chaikovsky's big F major Quartet op. 22. All of it was delivered with idiomatic flair, and the Andante

with searching tenderness; in the most hectic pages of the outer movements, their intonation became a little wild—the effect of the final coda was slightly foxed by that. They are nonetheless an ensemble of genuine charm. It is good news that they have just recorded both of Szymanowski's quartets for the Belgian "Pavane" label.

Obituary

Imogen Holst

Imogen Holst, who died on Friday at the age of 76, was a daughter of Gustav Holst and the leading authority on his music. She wrote a biography and a musical study, both works, responsible for disseminating a new understanding of an interest in Holst, who also edited much of his music. Imogen Holst was a close collaborator of Benjamin Britten and (until

1977) one of the leading figures of the Aldeburgh Festival: a noted choral conductor, she was responsible for many memorable concerts there, of her other important musical devotion—English Choral Music from the Mediaeval era to the modern era. Her studies of Byrd, Bach, Holst, and Britten, for children remain models of their kind. M.L.

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BASE LENDING RATES

Table with columns for bank names and interest rates. Includes entries for A.R.N. Bank, Allied Irish Bank, Amro Bank, Hill Samuel, etc.

Arts Guide

Music

LONDON Royal Choral Society and English Chamber Orchestra, conducted by Meredith Davies, with Eddwen Harris, soprano, Paul Eswood, counter-tenor, Robert Tear and Kenneth Bowen, tenors, Ian Caddy, baritone and Stephen Roberts, bass. Bach, St. John Passion. Royal Festival Hall (Mon, 6.30-8.15).

March 9-15 Orchestre de Paris. Isaac Stern, violin. Andrew Wolff, piano (Mon). Salle Pleyel (6.10-8.30). Mozart, Enesco, Franck sonatas. Mirella Freni, Nicolas Chazou and orchestra, conducted by Romano Gandolfi. Operatic melodies (Mon). Théâtre des Champs Elysees (7.24-11.17). Chamber Music - Maitrise de Radio France, conducted by Henri Ferg Debussay, Rossini, Schubert, Schumann (Mon). Salle Gaveaux (6.30-8.30). Ensemble Orchestral de Paris, conducted by Jean Fournet, Rafael Orozco, piano, Christian Jean, tenor. Franze, Mozart (Tue). Gaveaux (6.30-8.30). ZURICH Tonhalle: Tonhalle Orchestra, conducted by James Loughran, with Sotou Filippini, cello. Mozart, Saint-Saens and Strauss (Wed and Thur).

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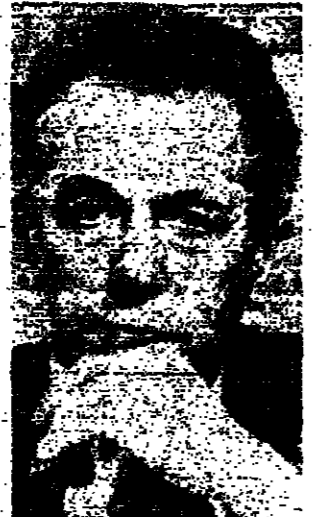
July 1984

17 March 12 1984

BRITISH SECONDARY EDUCATION

A new 'industrial revolution'

By Alan Pike



Sir Keith Joseph, the Education Secretary, who last month called for a school curriculum more 'relevant to the real world and to the pupils' experience of it'

AN EXPERIMENT which could precipitate the greatest change in British secondary education since comprehensive reorganisation is gathering pace in schools throughout the country. The scheme is releasing a pent-up force for educational change which has far too long been held back by the examination boards, the public schools—where I have taught—and the universities, says Mr Christopher Lea, who is Director of the project in Birmingham.

Chunally named the Technical and Vocational Education Initiative, or TVEI, the scheme is run under the auspices of the Manpower Services Commission. It is bringing education and industry together in ways which promise to have a radical impact on the secondary curriculum. In Birmingham, for example, the education department is recruiting a team of industrial tutors to counsel young people on the links between school and work. In Stevenage, Hertfordshire, 15-year-olds at the town's 10 comprehensive schools work through a curriculum developed jointly by their teachers and managers from local industry.

At present, TVEI is confined to pilot projects in 14 areas. But in September the experiment will take an important step towards becoming the norm when up to 46 more local authorities in England and Wales, and five in Scotland, launch TVEI schemes. The more that teachers, parents and the public know about the initiative, the less defensible they see it to be, says Dr Ron Wallace, Hertfordshire's TVEI director. "TVEI gives an opportunity for people both inside and outside the school to discuss and implement change."

But TVEI has sparked controversy. There are fears that it is another government attack on local authority autonomy and possibly an undercover attempt to smuggle selection back into secondary schools. This has led to some Labour-controlled councils, including Manchester, Sheffield and the Inner London Education Authority, staying outside the scheme.

TVEI differs from earlier initiatives in several respects. It is a locally-delivered national scheme operating around common national criteria. It is opening discussions on the content of the secondary curriculum, bringing together schools, colleges and industry. It offers, from the Manpower Services Commission, offers, precious additional resources at a time of acute financial stringency in education. This has enabled schools involved in TVEI to buy sophisticated equipment and hire specialist teachers. It has also enabled many local authorities to swallow any political doubts.

while in others the public examination boards are preparing new ones. Each subject has its own curriculum group on which representatives of education and industry meet to determine the course content. Two leading employers in Stevenage—British Aerospace and Dixons Photographic—have been involved in developing the curriculum for electrical and electronic instrumentation. Dr Wallace agrees that the industrial representatives were highly critical of some of the first curriculum proposals. "That was part of the purpose of involving them. I think they were surprised to find many of their arguments accepted by the teachers."

The chairman of the electrical and electronic instrumentation curriculum group is Mr Ken Walsh, headmaster of Heathcote, one of the town's TVEI schools. He welcomes representatives of industry helping to decide what happens in the classroom. "It is high time that people outside schools were involved in talking about the needs of the curriculum. Our TVEI course is being taught to a positively agreed plan. It is not just something handed down by an examination board."

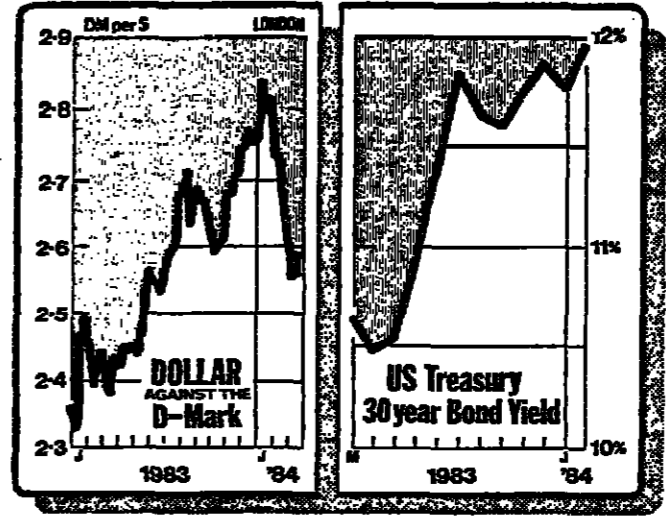
When Sir Keith begins analysing the results of his consultation exercise, he will discover that TVEI has already given a lot of people education and industry the opportunity to speak the same language.

The success achieved to date has come about only through massive reductions in public-sector expenditure, since current expenditure has consistently overrun its planned level. The latest public expenditure White Paper shows that the Government intends to continue this approach in 1984-85. In effect the public sector has only reduced its borrowing by reducing its investment, particularly in housing and infrastructure.

The U.S. Economy

Wall Street gets the inflation jitters

By Samuel Brittan



LAST WEEK I took the advice of well-wishers who urged me to spend more time with hard-pressed financial types in New York, instead of officials and policy academics in Washington. Yet, in Wall Street itself all eyes are on Washington—on what Congress will do about the budget, on the Federal Reserve chairman Paul Volcker will say next, and, increasingly, whether Gary Hart will prove to be the great white hope who will trim military spending while avoiding the anti-market bias of Walter Mondale and his union backers.

Indeed, it was suggested that I should write an article comparing Senator Hart to David Owen, a proposal which takes too many hurdles at one jump. At any rate, it will be interesting to see what happens in the financial markets if Senator Hart has a triumph in tomorrow's hatch of primaries, known as "Big Tuesday."

Nevertheless, the predominant Wall Street mood is concerned, even jittery. The outward signs are the falls in bond prices and the dollar, the rise in gold and sensitive commodity prices, which are watched closely, not only by speculators but by Mr. Volcker himself. Behind it all is an adverse change in inflationary expectations. There is complete agreement that consumer price inflation will rise from its present year-on-year increase of 4 per cent and the arguments are about how much. Optimists expect it to rise to 5 per cent this year. Moderate pessimists expect it to reach 6 per cent and climb to perhaps 8 per cent in 1985, and then be checked, if at all, by recession.

On short-term interest rates, the spread of moderate views for 1984 ranges from a fall of 1 per cent to a rise of 2 per cent. But, unfortunately, the latter limit expresses more in banking consensus on what the international debt situation will stand than the requirements of monetary policy. There is some wishful thinking about the financial community about the Fed having returned entirely to an interest rate policy. Talking to Fed policy makers, the mood after the velocity disturbances made a vocabulary check and noted new signs of urgency in Volcker references to the strength of the recovery.

unsustainable pace. The apparent slowdown in the last quarter of 1983 has been largely revised away. Few people now talk of recession in 1984, a prediction itself based on a monetary slowdown which has also tended to disappear as a result of statistical revision.

Dr Feldstein expects at least 6 per cent annualised growth in the first quarter of 1984. Capacity utilisation has risen to near 80 per cent. This is not far from the 83 per cent at which many economists expect inflationary bottlenecks to appear. Some strains are reported already. Unemployment has fallen to 8 per cent and looks like reaching 7 per cent before the end of the year. The latter corresponds with many estimates of the NAIRU or rate below which inflation accelerates indefinitely. An economic model which stresses that inflation depends on the rate of change of demand and capacity utilisation, as well as on their levels, has no difficulty in explaining rising inflation even without bringing in the dollar.

The recent fall in the dollar of 5 to 10 per cent hardly needs an explanation, given the \$50n current account deficit and the deterioration in U.S. competitiveness. The puzzle is rather why it rose so much. The balance of payments gap is no longer being met by net long-term inward investments, but by short-term and banking flows. The dollar must move to whatever level is required to attract this near-hot money.

A current fashion is to regard a fall to between DM 2.40 and DM 2.50 as a healthy correction, a range not quite yet reached. If the dollar fell to anything like DM 2.10 or DM 2.20, both Wall Street and many policy-makers would become alarmed. The event most feared by dollar-watchers is a surprise improvement in presidential prospects for Walter Mondale, who has espoused dollar devaluation on lines reminiscent of Michael Foot and Peter Shore over sterling, or some sign of age or illness by President Reagan which would make the electorate nervous. But a more purely financial factor accounts for the downside risk.

F.S. An example of the jittery mood in New York is that Italian-American leaders have protested at the forthcoming visit to the Metropolitan Opera House of the excellent English National Opera's *Rigoletto*—one of the few modern settings which really works—because they are offended that Rigoletto is shown as a barman at a Mafia hotel in New York's Little Italy in the 1950s.

Radiopaging and competition

From the Group Managing Director, Air Cell. Sir—With reference to your article (March 5) regarding the Office of Fair Trading's decision on British Telecom radiopaging it is not true that private companies can now compete fairly with British Telecom services. The Office of Fair Trading took three years to investigate and come to a conclusion. In that time, British Telecom radiopaging service expanded seven times, now dominating the market with over 75 per cent.

While the bulk of our investment goes into the most costly sector, the most costly sector is not the most costly sector. It has been widely known that Germany could well be a problem for the firm. By seeking to alter the Deutsche Telekom's structure, the firm has been able to secure a competitive market in the D-Mark region.

The first direct connection of a competing service occurred in November 1983. Even now all users of the private service have to pay for their telephone calls—British Telecom subscribers do not. Several of us appear on telephone bills. We are told separate billing will occur "as soon as practicable." When will this be, we wonder? Three years to investigate, how long to act?

Probably the most frightening aspect of this whole saga, is the fact that the OFT can carry out an investigation under Section 3 of the Competition Act, 1980, but it has no power to force British Telecom to do anything.

The case for barter From Mr H. Edwards. Sir—Mr Mellor (March 6) proclaimed the case for barter by the over-borrowed countries. There are obvious economic arguments against the practice for barter or more correctly, countertrade—demand in the rich countries does not exist or will soon be saturated, domestic firms will compete successfully rather than lose sales, and if there were a real market for the foreign product it would have been imported earlier, etc.

Nevertheless, LDC governments must be fed their starving millions and will maximise the short term opportunity to force their products into the world market.

Letters to the Editor

UK exporters should never lose an order through the unwillingness to accept countertrade. Before concluding prices, exporters can turn the unwanted purchase contract over to a specialist barter house or negotiate the purchase and its disposal. The risks to profit can be insured via a specialist credit insurance broker who will also provide advice on the separate strategy for export, import and disposal.

For the time being anyway, the companies and countries maintaining market share in exports will surely be those accepting the need to countertrade willingly and expertly. R. Edwards, 65 Park View, Hoddeston, Herts.

Engineering training

From the Vice-Chairman and Chief Executive, A.I. Welding. Sir—As a long-time member of engineering employer associations, I confess bewilderment at the recent engineering education federation announcement, claimed to represent the attitude of its members towards the engineering industry training board EITB.

This official response to EITB consultation is a rag-bag of constructive and destructive criticism, of praise and outright damnation. It is without shape or form and in the end arrives at no clear conclusion. The recent approach of 13 large engineering companies to the Secretary of State, arguing the case for the abolition of the board, is not a pointer to the view of most federated companies and must not be allowed to cloud the issue. Only seven of these were EEF members and they each enjoy well-established "in-house" training departments which can serve their present and future needs more than adequately.

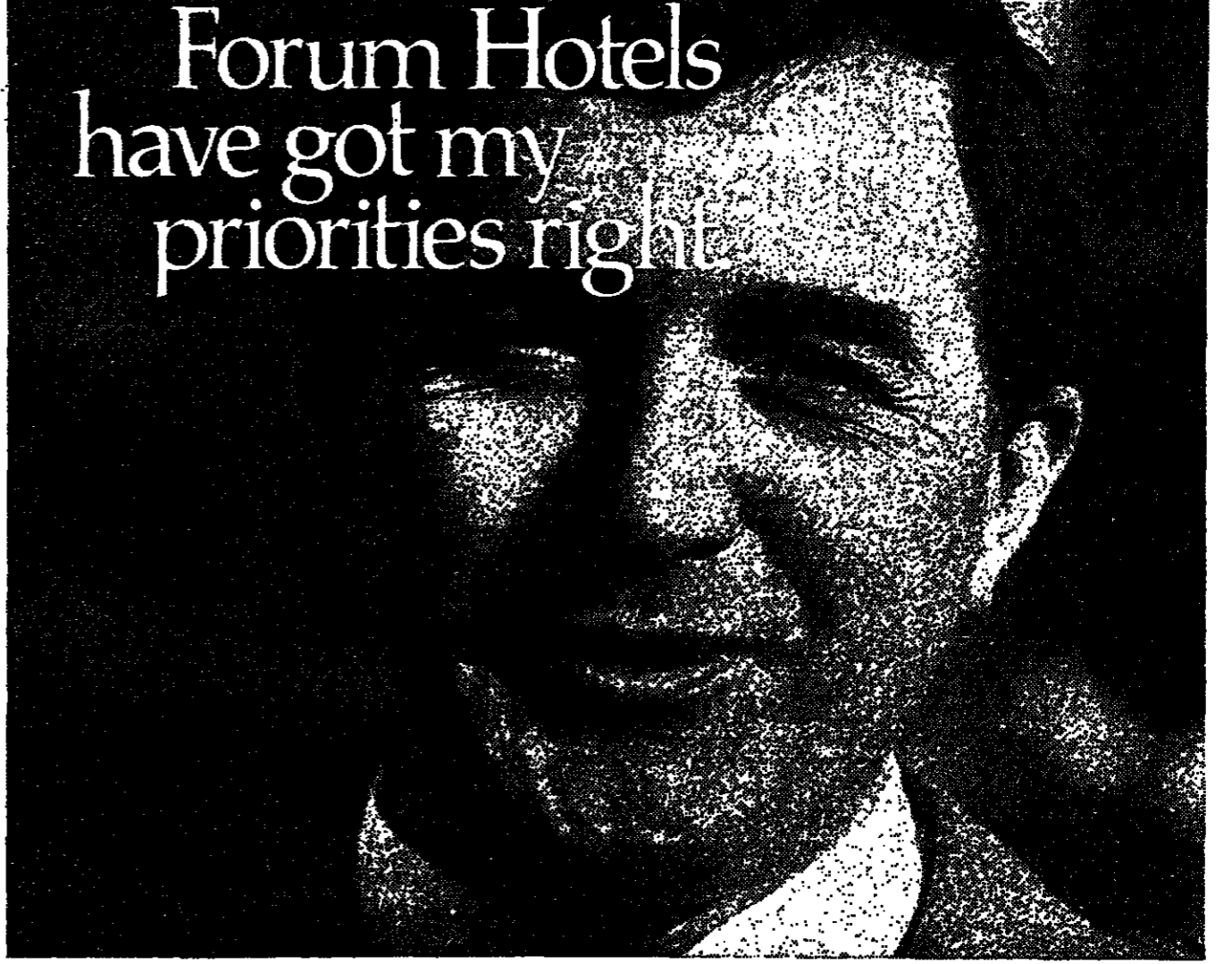
Investing in the infrastructure

From the Director, British Road Federation. Sir—Samuel Brittan, in his discussion of the forthcoming Budget (March 3), argues that with growth likely to exceed 3 per cent, there is no argument for giving the economy a stimulus or departing upwards from the planned PSBR path. I would have had more sympathy for this view were it not for the way that the Government has tackled the policy objective of reducing the PSBR as a percentage of GDP.

Let common sense prevail. Let us now give backing to the board and restore the morale and effectiveness of its staff; a body of men and women whose capabilities have been so grossly and unfairly maligned in the past two or three years. R. C. Hilton, Academy Street, Inverness.

Vacancies at Sainsbury's

From Mr R. Clark. Sir—Your piece in Men and Matters of March 9 highlighted an undeniable mistake on our part. Currently, we have unfilled vacancies in the south of England for "A" level trainees but we welcome applications for these jobs from anywhere in the country. R. A. Clark, J. Sainsbury, Stamford House, Stamford Street, SE1.



TONY LAMB, Technical Director, Winkfield Row.

As Technical Director for my company, I'm constantly moving around Europe. The hotels I prefer are smart movers, too. When I check out, I want a bill not a queue. And I appreciate a direct-dial phone, and the chance of a late-night snack in my room. I stay at a Forum Hotel whenever I can.

In London, stay at the Forum Hotel. In Edinburgh at the George Hotel. You'll find they've got your priorities right. For reservations in any Forum Hotel, call us on 01-491 7181, or contact your nearest Forum Hotel, Inter-Continental Hotel or Pan Am Reservations Office. Or contact your local travel agent.

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Terry Byland on Wall Street Banks firm against the trend

THE merciless shake-out in Wall Street's industrial stocks continues to overshadow areas where investment confidence - and stock prices - have resisted the overall downside. Bank stocks, which underperformed the stock market last year for a host of only too easily identifiable reasons, now stand out strongly against the general trend.

"Against the trend" is not saying all that much after the huge setback in equity prices since Christmas. Some of the leading whole sale, or money-centre bank stocks have done little to shout about since January. But just to hold steady over a period that has seen the various market indices in rapid and sometimes near unstoppable retreat is no mean feat.

Table with 3 columns: Bank, Price (\$), P/E. Includes BankAmerica, Bankers Trust, Chemical NY, Irving, J.P. Morgan, Regions, Sec. Pacific, Wells Fargo.

The improvement in bank stock ratings reflects a generally favourable reception for the 1983 results from the big names, which showed earnings and profitability somewhat better than expected, together with a more optimistic view of the outlook among Wall Street bank analysts.

The successful completion in late January of the \$8.5bn loan for Brazil played a leading role in a significant easing of tensions over the banks' Latin American debt problems, although Argentina is now giving cause for concern.

The prospects of a serious default in Latin America seem to the analysts to have lessened since the middle of last year. Moreover, the money-centre banks bolstered their loan loss provisions at the end of 1983 - not as much as some analysts would have liked but enough to put the sector's reserves at their highest for 10 years.

Among the regionals, the worst of the energy loan disasters is probably over "again", comments Mr Mark Alpert of Bear Stearns. Last year's write-offs, which were still above average, at least left behind a substantially improved reserve position.

MONDALE FACES CRUCIAL TESTS TOMORROW

Wyoming gives Hart new boost

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

SENATOR Gary Hart's presidential campaign received a further psychological boost at the weekend with his first clear Western victory over former vice-president Walter Mondale, his leading rival for the Democratic candidacy.

Mr Mondale's supporters claimed that their candidate's showing had been better than expected in a state he had never hoped to win. Mr Hart's victory, however, served to maintain the momentum that has sustained him since his defeat of Mr Mondale in the New Hampshire primary just under two weeks ago.

Fresh evidence of what has become known as the Hart "explosion" was provided yesterday by a CBS-New York Times poll, which gave Mr Hart a 38 to 31 per cent lead over Mr Mondale among Democrats nationally. Two weeks earlier, a similar poll showed Mr Mondale running away with 57 per cent and Mr Hart with only 7 per cent.

Among voters of both parties, the poll showed President Ronald Reagan beating Mr Hart by 44 to 40 per cent, a reversal of a Gallup poll published on Friday, which for the first time put Mr Hart ahead of Mr Reagan by 52 to 43 per cent - among an admittedly small sample of voters.

All five remaining candidates now face a crucial test in the nine state primaries and caucuses to occur when Democrats will choose more than 500 out of nearly 4,000 delegates who are to attend the party's convention in San Francisco in July.

Mr Mondale spent the last week energetically campaigning in the South, where he hopes to turn the Hart tide in Tuesday's three key primaries in Florida, Georgia and Alabama. He has to show that he can still be a winner in the South if he is to rescue his once formidable campaign from collapse.

The latest Washington Post-ABC News poll, published yesterday, showed Mr Mondale mounting a strong challenge in Florida, where, with 33 per cent of the vote, he appeared to be narrowing the gap on Mr Hart's 41 per cent.

In Alabama, which Mr Mondale has predicted he will win, the poll showed him leading by 38 to 28 per cent, and a local survey gave him a modest lead over Mr Hart in Georgia.

Mr Patrick Caddell, Mr Hart's principal campaign strategist, yesterday predicted that Mr Hart would win several of tomorrow's nine polls. His candidate had a "decisive" lead at Florida, and would probably win Massachusetts, where the polls show him considerably ahead of Mr Mondale, he said.

Mr Hart was "moving" in Alabama and Georgia, Mr Caddell said, but he was not sure if there was enough time for him to overtake Mr Mondale's lead. Mr Mondale has been concentrating heavily on Alabama and Georgia in the last few days, travelling to Plains, Georgia, on Saturday for a highly publicised barbecue lunch rally with former President Jimmy Carter in his home town.

Behind the two leaders, both Senator John Glenn of Ohio and the Rev Jesse Jackson are looking to Tuesday's vote in the South to retrieve their flagging campaigns. Mr Glenn yesterday forecast that he would do better than expected in the South, while Mr Jackson said he confidently expected to win Alabama.

Mr Jackson could damage Mr Mondale in the South by taking black votes that would normally go to Mr Mondale as the most liberal of the Democratic candidates. In his latest southern swing, Mr Mondale has been trying to establish that it is now a two-man contest between him and Mr Hart, implying that votes for Mr Jackson or Mr Glenn will be wasted.

Mr George McGovern, of South Dakota, the only one of the five remaining candidates still to have secured no convention delegates, is looking for a strong showing in Massachusetts. Failing that, he has said, he will drop out of the race.

WIDE Government powers over South Africa's oil industry and a near total clamp on disclosure of any aspect of the country's oil supplies are proposed in draft legislation published at the weekend.

In terms of an amendment to the Petroleum Products Act, the Minister of Minerals and Energy Affairs will be able to regulate or prohibit any practice affecting the cost of petroleum products or the cost structure of any company in the oil industry.

Stricter censorship already applies to oil-related matters, but the new Bill extends the curbs to include any written or oral release, announcement, disclosure and even comments on such topics. Films, photographs and pictures will also be forbidden without ministerial approval.

An oil industry official said yesterday that the Minister "can now step in to regulate, monitor or veto any transaction about petrol or oil at any stage."

South Africa plans new curb on oil supply disclosures

BY BERNARD SIMON IN JOHANNESBURG

No official explanation has yet been given for the new restrictions. The Bill will probably be debated in parliament within the next week or two.

The tighter curbs follow the disclosure in recent years of several costly transactions which have deeply embarrassed the South African authorities. The Government lost R30m (\$25m) in the celebrated Salem oil fraud in 1979, involving a tanker which secretly discharged a cargo of Kuwaiti crude in Durban before sinking mysteriously off the West Coast of Africa.

The Government also admitted late last year that it paid several million rand for use of the "sniffer plane" exploration technique developed with the support of the French oil group Elf and subsequently discovered to be a hoax.

The oil-from-coal producer Sasol is currently defending a legal claim of at least R90m brought by several local businessmen. The case is expected to be heard in secret.

The Hong Kong Association of Banks, which is the territory's interest-rate cartel, says the cut, announced on Saturday, reflects the continuing availability of cheap money in Hong Kong's inter-bank market. Overnight rates have often dropped as low as 2 per cent in recent weeks.

Some of the market's liquidity may have been attributable to speculation that the Hong Kong dollar may be revalued upwards against the U.S. dollar, if the latter continues to weaken.

Speculators do not appear to have been entirely discouraged by the budget speech on February 29 when Sir John Bremridge, Hong Kong's Financial Secretary, said he "would not lightly alter" the pegged rate of HK\$7.80 to the U.S. dollar which has prevailed since October 1983.

The cut in interest rates, if sustained, will provide an attractive climate for a forthcoming HK\$1bn (U.S.\$128.2m) Hong Kong Government bond issue, due late this month. In the private sector, the benefits of a lower prime rate will be felt particularly among the territory's many overborrowed property development companies.

Count Lambsdorff made clear this weekend that early retirement should be seen as an alternative to the 35-hour week. However, he did not rule out the possibility of a cut in hours, provided that that did not add to the costs of industry.

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Even the SPD opposition, after initially backing the unions' demands, has been conspicuously quiet on the issue lately.

THE BONN Government has come out harshly against the union campaign for a 35-hour working week with no corresponding cut in pay as West German industry braces itself for a wave of "warning strikes".

Count Otto Lambsdorff, the Economics Minister, speaking yesterday during a rally before the Baden-Württemberg state election on March 25, insisted that the unions must be ready not to strike but to compromise - or see jobs destroyed.

A 35-hour week (a 40-hour week is presently normal in industry) would hurt unemployed and employed alike, he said.

"A 35-hour week means a return to the six-day week," he said. Plants would have to operate longer to meet demand. The injunctions from Count Lambsdorff, Chancellor Kohl and the employers have produced no obvious result so far.

Talks on new pay settlements at a regional level, especially in the key engineering sector, have failed to gain momentum from either side - in public at least. At the end of last week, IG-Metall, the union at the front of the campaign for shorter hours, said that brief warning strikes would be held from today at certain factories.

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THE LEX COLUMN

The Chancellor deals his hand

Mr Nigel Lawson has been drafting his budget proposals on a piece of paper as clear of awkward political and economic marginalia as any UK Chancellor of the Exchequer could wish for.

The Chancellor can also take comfort from the financial markets. Equities stand at record levels, Barclays has just nudged the money markets towards lower rates and gilt-edged, dear to the sirens on Wall Street, are stable to the point of boredom.

Even sterling, which this time last year was being buffeted by the slide in oil prices, stands at a level against both the dollar and the EMS which must be broadly acceptable to the Treasury.

Mr Lawson is not, by all accounts, the kind of man to let such an opportunity pass by. It may therefore have been a source of some frustration to him that the budget has been anticipated - at least in terms of its overall fiscal impact - with less than wholehearted rapture.

The markets will probably reserve judgment on Mr Lawson's positive role in determining short-term interest rate policy has been tested. In any event, the Treasury will presumably err on the side of caution by declaring a wide target band for its new, and rather wary, friend.

Theoretically, tomorrow's budget could be one of the dullest for years. In reality, however, that would be most surprising. The recent tax salves at the gilt-edged profits of building societies and the deposit base of the clearing banks have encouraged expectations of a wide-ranging redistribution of taxes on savings.

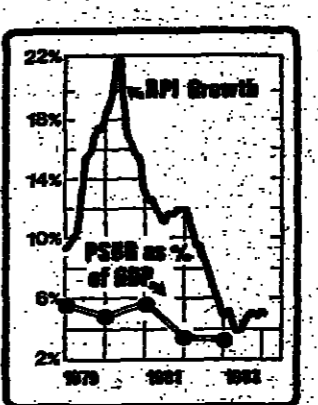
The life assurance sector has become worried enough about the abolition of gift aid on new payments to launch a last-minute advertising campaign, while, as a defensive measure, the clearing banks were last week piling tax liabilities into their preliminary statements as if leasing had never been invented.

Moreover, the Chancellor has an opportunity at last to elucidate the broad strategy of the second term - something which the financial markets are still struggling to grasp. If, as expected, the medium term is redefined as a five-year period, the markets should at least have some guidance as to whether stable prices and balanced budgets are the goal of this Government or not.

In the first instance, however, the focus of attention will be on fiscal neutrality. Even allowing for the arithmetical distortions introduced by asset sales and the optimism of the Treasury's spending assumptions, a neutral budget would probably conform with most of his fiscal objectives.

Arguably, policy is already too loose - witness the persistent buoyancy of consumer spending - but the recent disappointing figures for unemployment and vacancies will give the Treasury little incentive to tighten.

Nor is the Chancellor expected to change course on monetary policy. Targets for the wider aggregates are already enshrined in the MTFS and a growth band of 6-10 per cent for both sterling M3 and PSL2 is likely to be endorsed in the budget. Of more interest should be the em-



phasis attached to individual aggregates. Mo, the measure of narrow money singled out by the Chancellor last autumn, should win its spurs as a targeted aggregate, while the other narrow measures may be quietly returned to the Treasury for an overhaul.

Meanwhile, the progressive transfer of savings from bank deposits to building society sight accounts may encourage greater attention to the broader PSL2 at the expense of sterling M3.

But, even if the budget turns out to be not much more than a statement of principles to be followed by a mountain of draft papers, a real chance to clear the fiscal decks will have been seized. The markets, alerted by these dangers by the carnage wrought at the short end of the gilt-edged market by the Inland Revenue a fortnight ago, have been busy trying to guess the Chancellor's intentions.

So long as the Chancellor is just playing Robin Hood and taking privileges from institutions to finance a better deal for individuals, there seems little reason for the general price level in the equity or fixed-interest markets to be affected. At best, they may gain some confidence from evidence of a less interfering approach by the Government.

And, even within sectors, the effect of tax changes may be ambiguous. While there is no doubt that life companies would suffer in the long run from loss of relief, a one-off fall in the rate of surpluses would do wonders for first year cash flow.

From the standpoint of the equity market, the trade-off between capital allowances and corporation tax statements. Any significant move here could clearly damage the ratings of capital-intensive companies to the benefit of stores and service industries. Tomorrow could conceivably be a great day for the well known British Aerospace/J. Sainsbury switch.

HK banks cut prime 1.5 points

By Robert Cottrell in Hong Kong

HONG KONG banks have cut local interest rates by 1.5 percentage points, lowering the prime lending rate to 8.5 per cent. The cut, the fourth this year, means that the local prime is now a little over half the recent peak of 16 per cent reached in October 1983.

The current prime rate is the territory's lowest since November 1978. It is also half a percentage point lower than the 9 per cent average inflation rate officially forecast for Hong Kong in 1984.

The Hong Kong Association of Banks, which is the territory's interest-rate cartel, says the cut, announced on Saturday, reflects the continuing availability of cheap money in Hong Kong's inter-bank market. Overnight rates have often dropped as low as 2 per cent in recent weeks.

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Newman-Tonks

Group trading for the last three months was in fact ahead of budget and I believe this pattern will continue subject to any unforeseen circumstances.

Michael L. B. Wright - Group Chairman

- \* Despite difficult market conditions the engineering company which manufactures 'Briton' hydraulic door closers and emergency exit hardware increased its profitability. Hardware benefited from the capital injection we have made over the past few years and has reported satisfactory profits. \* Jeavons Engineering's trading results since its acquisition have been similar to the previous corresponding period. \* Radway Plastics manufactures PVC products including windows and doors and has increased its profits quite substantially. \* Hudson Edmunds, the non-ferrous extrusion and tube plant located in Shepcoke Street was consolidated on to the Golds Green site in West Bromwich and the benefits from this integration will accrue in the current year. \* The acquisition of Bestobell Home Appliances Limited, and the consolidation of production of the Parkmatic and Maxmatic range of waste disposal units is proving to be a successful combination. \* J. S. Wright & Co. is now making satisfactory progress and will make a better contribution this year. \* Overseas, Monarch Hardware and Manufacturing, U.S.A., has exceeded its profit budget and the order book is healthy.

Table with 3 columns: Results in brief, 1983, 1982. Rows: Turnover, Profit before tax, Dividend per share, Earnings per share.

Newman-Tonks Group p.l.c. Hosplal Street, Birmingham B19 2YG

World Weather

Table with 4 columns: Location, Temp, Wind, Cloud. Lists various global locations and their weather conditions.

Brazilian steel faces U.S. duties

Continued from Page 1

accepting a bad deal that might affect its negotiations with other countries. Duties that will now be imposed on Brazilian steel are likely to increase the price by more than 27 per cent.

The problem for Brazil has been made even more serious by the Commerce Department ruling on Friday that the U.S. steel industry has suffered injury as a result of Brazilian dumping. That will bring tariffs into effect, and the combination of the two is expected to shut Brazil out of the U.S. market.

Marc Rich charge is dropped

Continued from Page 1

markets. It recently concluded a deal involving what is believed to be the world's biggest single export shipment of ferroalloy (steel) scrap from Liverpool. The freight cost alone is nearly \$1m. A cargo of nearly 45,000 tonnes of scrap, estimated to be worth some \$2m (\$4.4m), left Liverpool last month on the MV Aqua Glory for South Korea and Japan.

The scrap was bought by the Marc Rich group from merchants in Britain for delivery to Liverpool, where it was assembled for shipping to the Far East. The surplus of ferroalloy scrap in Europe at present makes it possible to sell profitably to the Far East in spite of a freight rate of about \$22 a tonne. Big cargoes are needed to make the transaction worthwhile.

But business has been hit badly in the U.S. Clarendon, the former Marc Rich subsidiary in New York, has been forced to reduce its activities to such an extent that some 300 employees have either left or been transferred elsewhere in the group. Only a skeleton staff remains.

LONGINES



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday March 12 1984

UNIVERSITY OF JORDAN LIBRARY

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Belgians boycott Paris-led Ecu bonds

By Our Euromarkets Staff TEMPERERS have been fraying in the European currency unit (Ecu) bond market and last week they exploded. Because most Ecu bonds end up in the hands of investors in the Benelux area, Belgian banks are in the best position to place the paper. The three biggest Belgian banks - Kredietbank, Banque Bruxelles Lambert and Societe Generale de Banque - meet regularly to draw up an informal schedule of new Ecu issues for the coming weeks. They claim to have enough clients to satisfy investor demand for Ecu paper, while collecting the lead-management fees for themselves. The problem is that French banks, too, want to lead Ecu bonds. But they take no part in the calendar-setting and, according to Belgian bankers, expect the Belgian banks to do their placing for them. As a result, the Belgian banks last week boycotted issues for PKBank and the EEC. And cynics suggested that the recent floating rate note deal by Credit Commercial de France for Megal was designed to get round the ban. It is convertible to a fixed-rate bond within the next nine months, and since the coupon on that bond - 11% per cent - seems reasonably attractive at today's rates, it is widely expected that most bondholders will convert. But because it is technically a floating rate note, it is not covered by the calendar. M Damien Wigny, of Kredietbank Luxembourg, explains their dilemma: 'If the French banks find ways to enlarge the placement of Ecu bonds, that's fantastic. But it's not fair for them to tell the borrower they can count on the Belgians to place the paper, because the Belgians have responsibilities to their own borrowers and they're already using all the placing capacity they've got.'

EUROBONDS Sterling sector dispels gloom

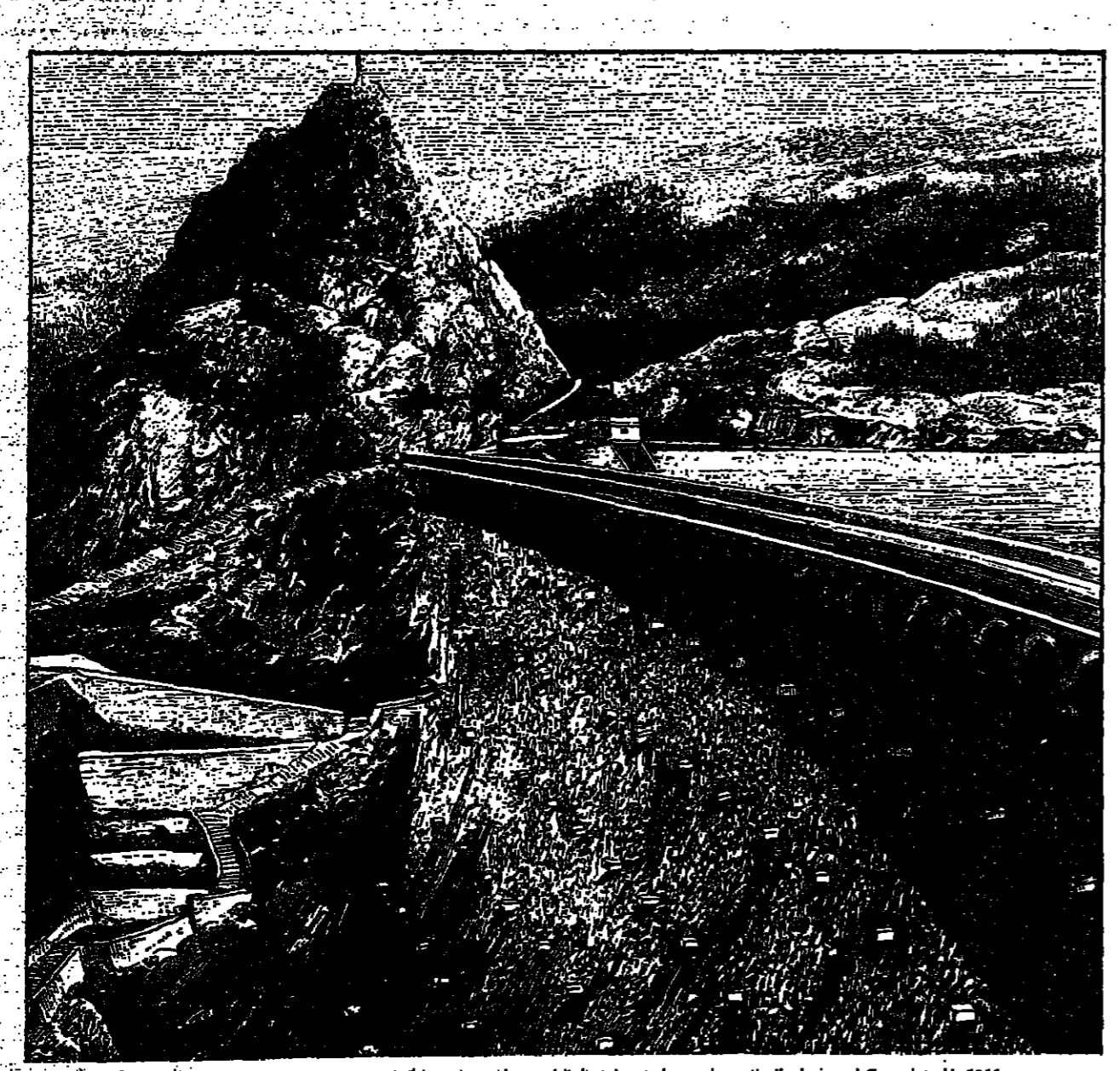
By MARY ANN SIEGHART IN LONDON GLOOM settled on the Eurodollar bond market last week as prices of seasoned bonds plunged, in some cases by over two points and recent new issues languished at huge discounts to their offer prices. One problem is the currency. Non-dollar denominated investors like the Swiss are worried that the dollar will fall. But the major influence has been the dire performance of the U.S. domestic bond market. The benchmark Treasury long bond fell in price by over three points on the week because of fears of higher interest rates and concern that Senator Gary Hart might be elected U.S. President and pursue inflationary policies. The only really successful new Eurobond last week was a £100m Eurosterling issue for the World Bank which, despite yielding less than the equivalent gilt-edged stock at its issue price, was snapped up by investors. Total Eurosterling and bulldog bond new issue volume amounts to £730m over the last three weeks after a steady stream in the first six weeks of the year. There is no shortage of borrowers to tap the market. Many believe that, in the long term, sterling is likely to depreciate and their interest payments will therefore become cheaper. But in the short term, especially against the dollar, the pound may well strengthen, and this has attracted investors. There have been interesting developments in the Swiss franc foreign bond market too. The euphoria of a few weeks ago over convertible private placements from Japanese borrowers has died down, but the borrowers are reluctant to raise their coupons. As a result, new techniques are being used to make the bonds more attractive to investors without obviously having to pay more. The first sign was the emergence of early redemption (or put) options for investors, effectively shortening the life of the bonds. Then two bonds last week - for Mitsubishi Rayon and Dainippon Ink - were given coupons of 2 per cent for the first three years, rising to 2½ per cent for the final two. Prices of seasoned D-Mark bonds were dragged down slightly by the New York market, but Swiss franc bonds gained ½ point on the week.

BHF Bank bond average table with columns for March 9, Previous, High, Low, and dates 1983-84.

INTERNATIONAL CREDITS Banks unite over Argentine debt

By PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON ARGENTINA'S bank creditors now seem resigned to the fact that there is little chance of the Government of President Raul Alfonsin reducing its debt service arrears before the crucial March 31 balance sheet deadline for U.S. banks. This means that, for the first time since the debt crisis started, U.S. banks will have to place public sector loans to a major Latin American borrower on a non-performing basis. The process will hurt their first-quarter profits, since they are not allowed to count interest due on non-performing loans as a part of their earnings for the quarter. After two days of talks in New York last week, there is little doubt that leading creditor banks are increasingly nervous about Argentina's policy towards its foreign debt, on which no interest has been paid since October 13 despite a build-up of foreign exchange reserves to about \$1bn. Yet the simple fact that the March deadline is likely to be missed is not being taken as a sign that Argentina is now poised actually to repudiate its \$43.5bn foreign debt. From the outset, the talks between the Alfonsin Government and its foreign bank creditors have been characterised by posturing around one central problem: Argentina wants credit to pay its arrears, while the banks want the arrears reduced before extending further credit. Most bankers believe that sooner or later a way will be found out of this impasse. For example, a new agreement between Argentina and the International Monetary Fund would encourage banks to restore credit, although this now looks most unlikely before the end of the month. Meanwhile, the banks are not willing to disburse the \$1bn balance of the \$1.5bn credit agreed last year as part of Argentina's 1983 rescue package. A feature of last week's talks, which are to resume tomorrow, was the apparently united front of the creditor banks. In the past, U.S. banks have veered towards making concessions to the borrower when balance sheet deadlines loom. This time round there seems to be no gulf between them and their European counterparts. Argentina's brinkmanship has thus brought its creditors closer together, which may diminish its chances of winning easier terms from the banks when serious talks do eventually start - unless, of course, the banks then cut their interest margins out of sheer relief that Argentina has returned to the fold. In the syndicated credit market, Standard Oil of California last week raised a \$14bn credit which was oversubscribed, even though it is now the largest single bank loan ever made. Its size made the launch of a \$800m credit for Korea Exchange Bank look modest and the continuing stream of small deals for European borrowers seem peanuts by comparison. Deals such as the \$90m equivalent credit launched on Friday for Renfe, Spain's state railways, however, are playing an increasingly important role in the market. Although small, this deal is designed to satisfy the borrower's need for currency diversification as well as to tap pockets of available funds in different currencies. The deal is being co-ordinated by Banco Urquijo and Toronto Dominion. Basic terms provide for an interest margin of ½ per cent over 10 years with repayments beginning after a seven-year grace period. The loan will be broken down into three separate components comprising \$20m, DM 80m and Ecu 42m. Istituto Mobiliare Italiano, Italy's state finance company, is raising \$75m through a 10-year credit provided by a small club of banks co-ordinated by Chemical Bank and Industrial Bank of Japan. The loan bears a split margin starting at ½ per cent over Eurodollar rates and rising later to ¾ per cent. These very fine terms reflect its small size and exclusive nature. IMI might not obtain such fine margins on a large syndicated loan, but the fact that small clubs are prepared to lend at this price suggests that, like many other European borrowers, it does not need to put the market to the test. This Friday should see terms revealed of the major loan package being put together by Broken Hill Proprietary of Australia, for its Central Queensland coal project.

NEW INTERNATIONAL BOND ISSUES table with columns for Borrowers, Amount, Maturity, Av. life, Coupon, Price, Lead Manager, Offer yield.



The towering 164 ft Furens dam, near St. Etienne, was the world's first dam to be mathematically designed. Completed in 1866, at a total cost of 1,500,000 francs, it revolutionized dam design and construction. 116 years later, Furens dam still stands in perfect condition: an impressive monument to the genius of the engineers, Delocre and Graeff, and the foresight of the financial planners who arranged its funding.

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NEW ISSUE U.S. \$250,000,000 Kingdom of Spain Floating Rate Notes Due 1997 Credit Suisse First Boston Limited. List of participating banks including Arab Banking Corporation, Bank of Tokyo International Limited, Bankers Trust International Limited, Banque Nationale de Paris, Chemical Bank International Group, Dresdner Bank Aktiengesellschaft, Enskilda Securities, Kidder, Peabody International Limited, Lehman Brothers Kuhn Loeb International, Inc., LTCB International Limited, Manufacturers Hanover Limited, Merrill Lynch Capital Markets, Mitsubishi Finance International Limited, Samuel Montagu & Co. Limited, Morgan Grenfell & Co. Limited, Orion Royal Bank Limited, Sanwa Bank (Underwriters) Limited, Banco Urquijo Hispano Americano Limited.

SH & MPKIN Investment Development Division 01-900 3000. Savings pool. There are certain areas... London. There are certain areas... London. There are certain areas... London.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Prices tumble as inflation fears grip investors

U.S. Bond prices nose-dived last week after a sharp rise in short-term interest rates...

existent. Yet it also reflects the increase in short-term interest rates. Over the past four weeks, the Federal funds rate has gained 25 basis points...

Table with 2 columns: U.S. INTEREST RATES (%), Week to 10, Mar 9 Mar 12

Fed will take such action, but whether it will do enough to maintain its credibility. Against this background, the U.S. credit markets turned in their worst performance last week since the rally began in August 1982...

Investor caution is also apparent in the intermediate and long-term corporate markets where prices declined last week by between 1/2 and 1 1/2 points. Corporate new issues have all but disappeared...

Brostroms fights to stay afloat as losses soar

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

BROSTROMS, the troubled Swedish shipping group which is fighting to stave off financial collapse, ran up further losses last year of SKr 382m (\$49m)...

with British Rail. Last year's losses were cut by SKr 45m through the sale of several ships and other assets...

Club Mediterranee ahead

BY DAVID MARSH IN PARIS

CLUB MEDITERRANEE, the leading French holiday operator boosted consolidated profits by 23 per cent to FFr 212.6m (\$27m) in the year to October...

spending restrictions on French holidaying abroad which lasted between April and December and was part of the Government's austerity policies.

New chief for Colgate Palmolive

COLGATE-PALMOLIVE CO. chairman and chief executive Mr Keith Crane plans to give up his title as chief executive at the May 3 annual meeting...

Mr Lars Jarskog, who is leaving the group, has been appointed to the newly created position of president of the Brussels-based SOCIETY FOR INTERBANK FINANCIAL TELECOMMUNICATIONS (SWIFT)...

CRA buys big stake in Kloeckner subsidiary

By James Buchan in Bonn

CRA, the Australian mining and metals group, has deepened its involvement with Kloeckner-Werke, the West German steel concern, by taking a major stake in its Bavarian subsidiary, the Maximilianhuetten (Maxhuetten) steelworks.

Intel recruits AMD to meet chip demand

BY LOUISE KEHOE IN SAN FRANCISCO

A CHRONIC shortage of the micro processor chips used to make personal computers has pushed Intel into making swift arrangements for an alternative supply of its most popular micro chip.

The 80186 combines in one chip all of the functions of the earlier Intel micro processors used by IBM with those of about 20 other peripheral chips.

INTERNATIONAL APPOINTMENTS

Mr Malcolm T. Stammer, president of The Boeing Company, has been elected to the board of TELE-RATE INC. Mr Jessop has been elected to the board of TELE-RATE INC. Mr Jessop will also be responsible for the administration and marketing of the Teletec service in Europe, the Middle East and Africa.

Mr Robert J. Hingre has been appointed president of the newly formed MDS Herkimer division of MOHAWK DATA SCIENCES CORP. Mr Stephen T. Hopkins has been named regional vice president for the FEDERAL HOME LOAN MORTGAGE CORP. (Freddie Mac) north central office, located in Chicago.

ZAMBIA COPPER INVESTMENTS LIMITED

(Incorporated in Bermuda) RESULTS FOR THE HALF-YEAR ENDED DECEMBER 31, 1983

The following are the unaudited results of the Corporation and its subsidiaries for the half-year ended December 31, 1983, which should be read in conjunction with the accompanying notes.

Table with 3 columns: Half-year ended Dec. 31, 1983, Half-year ended Dec. 31, 1982, Year ended June 30, 1983

- Notes: 1. No dividend income was received from Zambia Consolidated Copper Mines Limited (ZCCM) during the half-year ended December 31, 1983.

Table with 3 columns: Nine months ended Dec. 31, 1983, Nine months ended Dec. 31, 1982, Year ended March 31, 1983

Head Office: Sea House, Church Street, Hamilton, P.O. Box 650, Hamilton 5, Bermuda, March 9, 1984

FT INTERNATIONAL BOND SERVICE

Table with columns: U.S. DOLLAR STRAIGHTS, U.S. DOLLAR CONVERTIBLES, DEUTSCHE MARK STRAIGHTS, DEUTSCHE MARK CONVERTIBLES

Table with columns: EURO BOND TURNOVER, U.S. \$ BONDS, STRAIGHT BONDS, CONVERTIBLE BONDS

EURO BOND TURNOVER (annual value in \$m) Previous week 6,322.4 14,325.5, Last week 7,415.7 19,539.1

Table with columns: U.S. DOLLAR STRAIGHTS, U.S. DOLLAR CONVERTIBLES, DEUTSCHE MARK STRAIGHTS, DEUTSCHE MARK CONVERTIBLES, EURO BOND TURNOVER

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UK COMPANY NEWS

Monopolies Commission delivers its reports

THE MONOPOLIES Commission has delivered its reports on the proposed merger between Trafalgar House and Pensions & Oriental Steam Navigation, and between GKN and AE, slightly ahead of schedule.

The proximity of detailed reports into Britain's merchant marine and its vehicle component industries may shed some light on developments in official policy on mergers and competition, particularly in an international context.

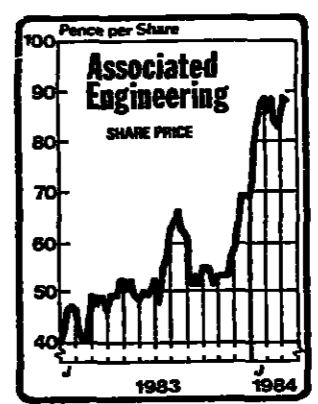
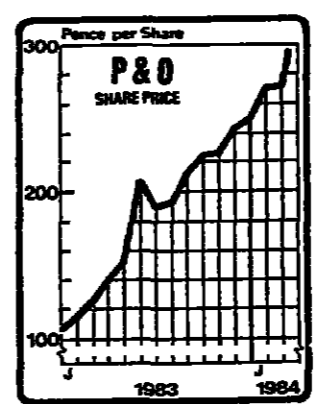
Trafalgar coy about rejoining P & O battle

Is Trafalgar still in the hunt? Mr Brookes is as enigmatic as any takeover strategist when it comes to his purpose to take the steam out of his targets' share price and has been noticeably coy about a new bid. Yet he can say with some justification that his management has many other tasks on its hand.

AE now on its mettle against a renewed GKN bid

AE has changed its mind about a deal with GKN several times. It was AE which approached GKN in the first place about a link in the bearings and cylinder liners sub-sections of the engine component market, but balked at the price GKN was prepared to offer when talks expanded to embrace a full takeover.

Ray Maughan looks at two possible takeover contests in the shipping and vehicle components industries



More by his City reputation and his own drive than any immediate management action, Mr Sterling's new position on the other side of the takeover fence has already made Trafalgar's decision that much more difficult. He has quickly signalled his determination to make P & O's assets work markedly harder and to take out those activities which no longer fit.

Like many other target companies which go before the Commission, AE has used the breathing space to show that the benefits of past rationalisation and reorganisation, coupled with a scattered uptake in several of its principal markets, are at last coming through to profits.

Scantronic for unlisted market

LATEST USM recruit is Scantronic Holdings, which makes electronic digital communications equipment for the intruder alarm industry. Following a placing of 1.6m shares by brokers de Zoete and Bevan at 78p each raising a net £1.2m for the company, dealings will start on the USM next Thursday.

Scantronic was started by Mr Christopher Brookes and Mr David Lanchou to undertake sub-contract work for major UK electronics companies and provide consultancy services to intruder alarm organisations in Scandinavia. Digital communications equipment was first marketed in 1980.

Last July Automated Security (Holdings) bought a 50 per cent interest in the company satisfied by a vendor placing of ASH shares for £1m. ASH's stake will now be reduced to 38.57 per cent.

Powerline USM entry heavily oversubscribed

Powerline International, which provides tailor-made electronic power supplies, has made a high powered entry to the Unlisted Securities Market. Its offer for sale of 3,443,782 shares of 5p at 160p each has been heavily oversubscribed.

BOARD MEETINGS

Table listing board meetings for various companies including Chambers and Fergus, Atlantic Computers, and others, with dates and locations.

EQUITIES

Table of equity prices for various companies, including Abertis, Brint, and others, with columns for stock name, price, and change.

FIXED INTEREST STOCKS

Table of fixed interest stocks, including various government and corporate bonds, with columns for issue name, price, and yield.

"RIGHTS" OFFERS

Table of rights offers for various companies, including 2pm 11pm, 200m 125m, and others, with columns for issue name, price, and terms.

Remuneration data usually last day for dealing free of stamp duty. Figures based on prospectus, annual report or other official estimates for 1983-84. Dividend and yield based on prospectus or other official estimates for 1983-84.

Future Dates: Interim, Final, etc.

ICE

EU ROBOND TURK (nominal value)

U.S. \$ bonds, 1st week, 2nd week, etc.

Other bonds, Last week, etc.

STRAIGHT BONDS, etc.

CONVERTIBLE BONDS, etc.

Other financial data and notes.

Other financial data and notes.

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Other financial data and notes.

Vertical text on the left margin, including 'ts AMD', 'p demand', 'ISCO', 'e 80186 combines', 'Mr Martin R. Soper', 'Mr Glenn L. Hinton', 'Mr Peter J. Stern', 'EU ROBOND TURK', 'U.S. \$ bonds', 'Other bonds', 'STRAIGHT BONDS', 'CONVERTIBLE BONDS', 'Other financial data and notes'.

Province of British Columbia Can. \$200,000,000 10% Notes, Series PRD, Due December 16, 1985 Private Placement Arranged, underwritten and placed by CANADIAN IMPERIAL BANK OF COMMERCE December, 1983

All these Notes have been sold. This announcement appears as a matter of record only. Ontario Hydro Can. \$150,000,000 10% Notes Due June 12, 1986 Unconditionally guaranteed as to payment of principal and interest by The Province of Ontario Private Placement Arranged, underwritten and placed by CANADIAN IMPERIAL BANK OF COMMERCE December, 1983

FINANCIAL TIMES STOCK INDICES table with columns for Government Secs, Fixed Interest, Industrial Ord, Gold Mines, FT Act All-Share, FT SE 100, and rows for Mar 9, Mar 16, Mar 23, Mar 30, Mar 6, Mar 13, Mar 20, Mar 27, Mar 3, Mar 10, Mar 17, Mar 24, Mar 31, 1983-84 High, 1983-84 Low, Since Compilat High, Since Compilat Low.

F.T. Share Service - The following securities have been added to the Share Information Service: Associated Energy Services (Sector: Industrials) Ulster Television (Leisure)

LADBROKE INDEX Based on FT Index 837-841 (+5) Tel: 01-493 5261

SOVEREIGN OIL & GAS PLC U.S. \$22,680,000 Limited Recourse Facility for the purchase of a 0.5% working interest in the Forties Field from BP Oil Development Limited arranged by CIBC Limited Provided by Canadian Imperial Bank Group Bank of Scotland Den norske Creditbank National Westminster Bank Group Republic Bank Dallas, N.A. Agent CANADIAN IMPERIAL BANK OF COMMERCE December 1983

Closing prices March 9

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for various market segments like 'D-D-D', 'G-G-G', 'H-H-H', 'M-M-M', 'P-P-P', 'Q-Q-Q', 'R-R-R', 'S-S-S', 'T-T-T', 'U-U-U', 'V-V-V', 'W-W-W', 'X-X-X', 'Y-Y-Y', 'Z-Z-Z'.

Continued on Page 23

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Wall Street

day March 12 1984

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices March 9

Main table of American stock exchange closing prices, organized by sector (A through Z) and including columns for stock name, price, and change.

Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of New York stock exchange closing prices, organized by sector (A through Z) and including columns for stock name, price, and change.

Notes and legends explaining the data in the tables, including symbols for dividends and interest rates.

WORLD VALUE OF THE DOLLAR every Friday in the Financial Times

WORLD STOCK MARKETS

OVER-THE-COUNTER Nasdaq National Market closing prices

Table of Nasdaq National Market closing prices for various stocks, including columns for Stock, Sales, High, Low, Last, and Change.

Closing prices March 9

Table of closing prices for various stocks on March 9, including columns for Stock, Sales, High, Low, Last, and Change.

CANADA

Table of Canadian stock closing prices, including columns for Stock, Sales, High, Low, Last, and Change.

NORWAY

Table of Norwegian stock closing prices, including columns for Stock, Sales, High, Low, Last, and Change.

HONG KONG

Table of Hong Kong stock closing prices, including columns for Stock, Sales, High, Low, Last, and Change.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Table of American Stock Exchange closing prices, including columns for 12 Month High, Low, Stock, Div. Yld., P/E, and Change.

Advertisement for Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft, featuring the GZ logo and details about a £30,000,000 issue of 12 1/2% Subordinated Bonds due 1993.

Continuation of world stock market data, including sections for AUSTRIA, BELGIUM/LUXEMBOURG, DENMARK, GERMANY, FRANCE, ITALY, NETHERLANDS, SWEDEN, SINGAPORE, and SPAIN.

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WORLD STOCK MARKETS

Indices

NEW YORK DOW JONES 1983-84 Since Comm'n High Low High Low
Industrial 1129.78 1147.28 1142.65 1152.15 1166.20 1207.20 1207.24 1207.24 -41.53
Prime Inds 68.24 68.48 68.75 70.16 70.11 77.84 68.00

AUSTRALIA All Ord (1/1/80) 718.8 718.8 728.8 726.2 737.8 (8/1/84) 487.8 (4/1/82)
AUSTRIA Credit Aktien (2/1/80) 55.32 55.24 55.60 55.30 58.0 (5/81) 48.48 (12/1/83)

OVER-THE-COUNTER - Nasdaq National Market

Continued from Page 24
Stock Sale High Low Last Day
Intel 150 53 52 51 50 +1
Microsoft 225 225 225 225 225

FIDELITY INTERNATIONAL FUND NV

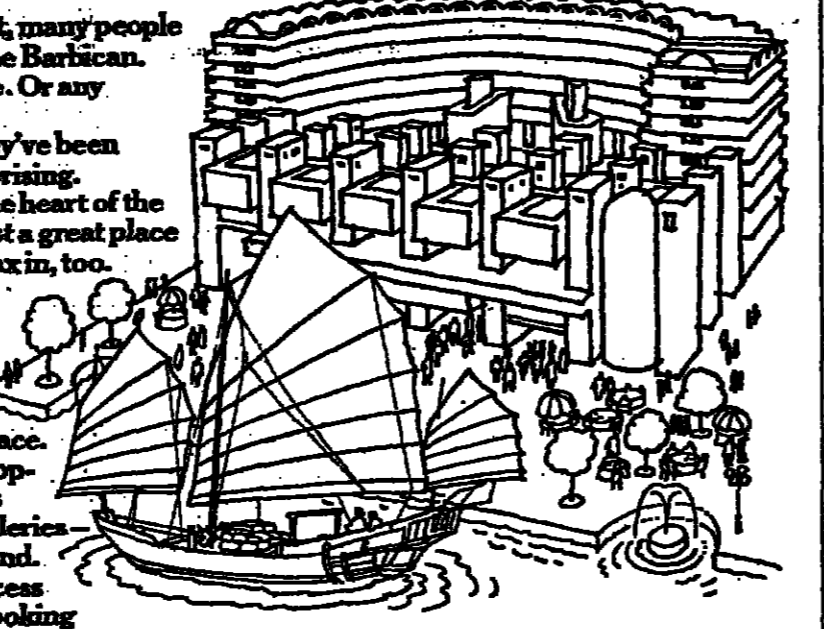
(Incorporated under the laws of the Netherlands)
The Directors have declared a dividend of 30 cents (U.S.) per share, the record date of which is February 24, 1984, payable March 9, 1984.

FIDELITY AMERICAN ASSETS NV

(Incorporated under the laws of the Netherlands)
The Directors have declared a dividend of 56 cents (U.S.) per share, the record date of which is February 22, 1984, payable March 7, 1984.

Why the Hong Kong Government made London's Barbican its main port of call.

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Table with columns: Stock, Sale, High, Low, Last, Day. Lists various companies like Intel, Microsoft, etc.

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SOUTH AFRICA
1983-84 Mar 9 High Low
1.200 1.200 1.200 1.200

SPAIN
1983-84 Mar 9 High Low
1.200 1.200 1.200 1.200

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs. (a), Abbey Unit Tr. Mgrs. (b), and others, including their managers and performance data.

Table listing unit trusts under the heading 'National Co of Unit Trusts Ltd (a) (b)', including details for various investment funds.

FT UNIT TRUST INFORMATION SERVICE

Main table of unit trusts under the FT service, listing names like Crown Unit Trust Services Ltd, Great (John) Unit Mgrs. Ltd, and others with their respective managers and details.

Table listing unit trusts under the heading 'Saxe & Pringle', including various investment and equity funds.

Table titled 'Insurances - continued' listing various insurance companies and their details.

Table listing unit trusts under the heading 'UK Equity', including details for various equity investment funds.

Table listing unit trusts under the heading 'Strat Inv Fd', including details for various investment funds.

Table listing unit trusts under the heading 'Fidelity International Management Ltd', including details for various international investment funds.

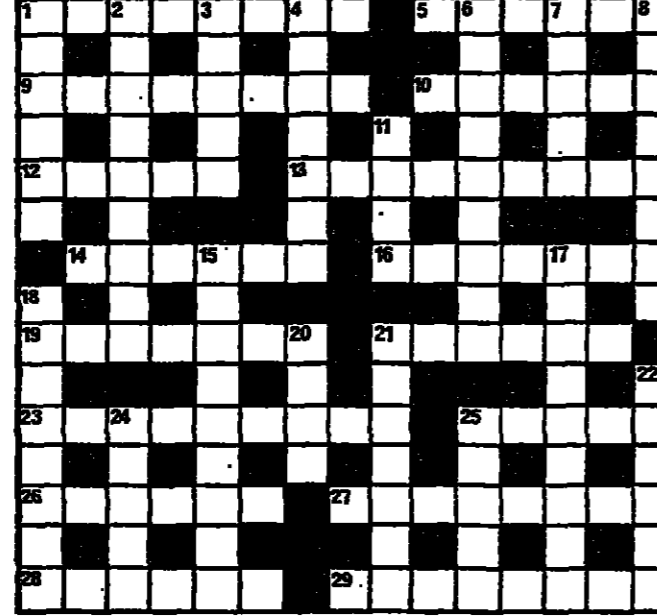
Table listing unit trusts under the heading 'Investment Bank of Ireland', including details for various investment funds.

Table listing unit trusts under the heading 'Key Fund Managers Ltd (a)(b)', including details for various fund management services.

Table listing unit trusts under the heading 'Merrill Lynch, Pierce, Fenner & Smith Inc.', including details for various investment funds.

F.T. CROSSWORD PUZZLE No. 5364

CROSS
1 Breaks surface of water off Abernethy (8)
5 Who's a pretty boy, then, up at university? (6)
9 Witch in the Kingston district? (3-5)
10 Gashed, having got runs (6)
12 Male singer noisier, said Gray, to our forefathers (5)
13 Tense, as the third interval is? (9)
14 Sharp-eyed contributor to offal-control (6)
16 Losing at tennis, get unexpected rebuff... (3-4)
19 ... as game's over, get some physiotherapy (7)
21 One to bias around, one who should not be broadcasting (6)
23 Chief deposits of north-west Scotland (9)
25 Clwyd town built entirely of impure quartz? (5)
26 Fly in a way parallel to the Thames (6)
27 High range of State 50, perhaps (8)
28 Carelessly-dressed fellow in translated novels (6)
29 Considered certain content of honey-wine (5)
DOWN
1 British bling under the table (6)
2 Fresh Salent air for many cars (9)
3 12, not 37, welcomed in their hall? (5)



4 Niece, for example, losing her head in such high spirits (7)
6 One who hangs coloured ribbons, enhancing chests? (9)
7 Courage required to begin ride in glacial snow (5)
8 Keeping under when coming (8)
11 They provide the minerals for Pop on board (4)
15 Formerly, measure up in selection of new gear—difficult task (9)
17 I provide the gear abroad—more suitable? (9)

Table listing unit trusts under the heading 'Prestige Bank of Ireland', including details for various investment funds.

Table listing unit trusts under the heading 'St George Assurance Co Ltd', including details for various insurance and investment services.

Table listing unit trusts under the heading 'Capital Preservation Fund International', including details for various investment funds.

Table listing unit trusts under the heading 'Money Market Trust Funds', including details for various money market investment funds.

John Little

July 1984

INSURANCE & OVERSEAS MANAGED FUNDS

Table of insurance and managed funds, including columns for fund names, managers, and performance metrics.

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INSURANCES

Vertical text on the left margin, likely containing additional market data or news snippets.

OFFSHORE AND OVERSEAS

Table of offshore and overseas managed funds, including columns for fund names, managers, and performance metrics.

NOTES section at the bottom right of the page, providing additional information and disclaimers.





CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

FINANCIAL FUTURES

Dollar rally peters out

BY COLIN MILLHAM

An attempt at a dollar rally petered out last week, mainly as a result of the currency's inability to hit certain critical points against the D-mark. There were very few economic statistics published likely to have any substantial influence on the dollar.

could be as high as 6 per cent contributed to the attempted recovery. Mr Volcker said little new, and continued to warn about the dangers of the very large trade and budget deficits.

of monetary policy. Any anticipation of higher interest rates was offset by fears that the advantage will be eroded by rising inflation, while the foreign exchange market also remained disenchanted with the dollar because of the budget and trade deficits.

The yen rose to its highest level against the dollar for two years, with most of its gains coming at the beginning of the week as the yen moved to catch up with the recent strength shown by the D-mark, while the German currency remained in favour generally, helped by comments made by Count Otto Lambsdorff, West German Economics Minister, about a possible realignment of the European Monetary System.

EMS EUROPEAN CURRENCY UNIT RATES. Table with columns for Country, Currency, % change from central rate, % change from previous day, and Divergence from EMS.

THE POUND SPOT AND FORWARD. Table with columns for Date, Day's spread, Close, One month, Three months, and % p.a. months.

OTHER CURRENCIES. Table with columns for Mar. 9, £, \$, and Notes Rates.

EXCHANGE CROSS RATES. Table with columns for Mar. 9, Pound Sterling, U.S. Dollar, Deutsche m/k, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, and Belgian Franc.

EURO-CURRENCY INTEREST RATES (Market closing rates). Table with columns for Mar. 9, Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, Swiss Franc, D-mark, French Franc, Italian Lira, Belgian Franc, Yen, and Danish Kroner.

MONEY MARKETS

Confusion follows Barclays move

UK clearing banks' base lending rate 9 per cent (since October 4 and 5). Barclays Bank took the money markets and foreign exchanges by surprise last week when announcing a cut in its base rate by 1/2 per cent to 8 1/2 per cent on Tuesday.

MONEY RATES

LONDON MONEY RATES. Table with columns for Mar. 9, Sterling, Interbank, Local Authority Deposits, Finance House Deposits, SDR Deposits, ECU Deposits, and Money Rates.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING. Table with columns for Bid and Offer rates for 1 month, 3 months, 6 months, and 12 months U.S. dollars.

The fixing rates are the arithmetic means, rounded to one-tenth of a cent, of the bid and offer rates for \$10m quoted by the market.

BANK OF ENGLAND TREASURY BILL TENDER. Table with columns for March 9, March 2, and March 2.

THE DOLLAR SPOT AND FORWARD. Table with columns for Mar. 9, Day's spread, Close, One month, Three months, and % p.a. months.

CURRENCY MOVEMENTS. Table with columns for Mar. 9, Bank of England, Morgan Guaranty, and Currency Rates.

CURRENCY RATES. Table with columns for Mar. 9, Bank of England, Morgan Guaranty, and Currency Rates.

DISCOUNT HOUSES DEPOSIT AND BILL RATES. Table with columns for Mar. 9, Sterling, Interbank, Local Authority Deposits, Finance House Deposits, SDR Deposits, ECU Deposits, and Money Rates.

MONEY RATES

NEW YORK (4 pm)

NEW YORK (4 pm). Table with columns for Prime rate, Broker loan rate, Fed funds, and Treasury Bills.

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LONDON

THREE-MONTH EURO-DOLLAR. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

20-YEAR 12% NOTIONAL GILT. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

STERLING £25,000 5 per £. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

DEUTSCHE MARKS DM 125,000 5 per DM. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

SWISS FRANC 100,000 5 per Sfr. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

JAPANESE YEN ¥12.5m 5 per ¥100. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

WEEKLY CHANGE IN WORLD INTEREST RATES. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

LONDON. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

NEW YORK. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

AMSTERDAM. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

PARIS. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

MILAN. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

DUBLIN. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

BRISBANE. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

SINGAPORE. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

HONG KONG. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

MANILA. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

COLOMBO. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

CEYLON. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

CHICAGO

U.S. TREASURY BONDS (CBT) 8 1/2%. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

U.S. TREASURY BILLS (HMM) 8 1/4%. Table with columns for Mar. 9, Mar. 12, Mar. 15, Mar. 18, Mar. 21, Mar. 24, Mar. 27, Mar. 30, and Apr. 2.

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Granville & Co. Limited. Member of NASD/M. 27/28 Lovat Lane London EC3R 9EB. Telephone 01-621 1212. Over-the-Counter Market. Table with columns for Capitalism, Company, Price on week, Change, Gross Yield, P/E, and Fully Paid.

Citicorp Overseas Finance Corporation N.V. (Incorporated with limited liability in the Netherlands Antilles). Unconditionally guaranteed by CITICORP. In accordance with the terms and conditions of the above-mentioned Notes and Agency Agreement dated as of March 5, 1979, between Citicorp Overseas Finance Corporation N.V. and Citibank, N.A., notice is hereby given that the Rate of Interest has been fixed at 10 1/2 per annum and that the interest payable on the relevant Interest Payment Date, June 12, 1984, against Coupon No. 21 in respect of US\$1,000 nominal of the Notes will be US\$73.75.

Today's Rates 10 1/4% - 10 3/4%. 3i Term Deposits. Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 25.5.84 are fixed. Table with columns for Term (years), Interest % (10 1/4, 10 1/2, 10 3/4, 11, 11 1/2, 12, 12 1/2, 13, 13 1/2).

INTER-AMERICAN DEVELOPMENT BANK. £60,000,000. 11 1/2 per cent. Bonds 1991. Issue Price 99 1/2 per cent. Baring Brothers & Co., Limited. S.G. Warburg & Co. Ltd. Banque Paribas, County Bank Limited, Daiwa Europe Limited, Hambros Bank Limited, Kleinwort, Benson Limited, Merrill Lynch Capital Markets, Morgan Grenfell & Co. Limited, Nomura International Limited, J. Henry Schroder Wagg & Co. Limited, Swiss Bank Corporation International Limited.

SCOOPS HOLDINGS plc. (Registered in England under the Companies Acts 1948 to 1983 - No. 1776965). Offer for Sale by HARVARD SECURITIES LIMITED (Licensed Dealer in Securities) of 3,125,000 Ordinary Shares of 5p each at 10p per share. No application has been or is proposed to be made for these securities to be admitted to the Official List of the Stock Exchange or the Unlisted Securities Market. Harvard Securities Limited has undertaken to make a market in the Ordinary Shares of Scoops Holdings plc. Application forms and copies of the Prospectus dated 8th March 1984 upon the terms of which alone applications can be made, can be obtained from Harvard Securities Limited, 42/44 Doheny Street, London SE1 0UQ. 01-828 2661.

U.S. \$75,000,000. Societe Financiere pour les Telecommunications et l'Electronique S.A. Guaranteed Floating Rate Notes 1982-1989. Extendible at the Noteholder's option to 1992. Irrevocably and Unconditionally Guaranteed by STET Societa Finanziaria Telefonica per Azioni. In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 12th March, 1984 to 12th September, 1984 has been fixed at 10 1/2 per cent per annum and that the coupon amount payable on coupon no. 5 will be U.S.\$277.92. The Sumitomo Bank, Limited. Fiscal Agent.

Handwritten signature: John White

FINANCIAL TIMES SURVEY

Unlisted Securities Market

A heady mixture of entrepreneurial flair, hunger for development capital and the odd dash of opportunism has helped the Unlisted Securities Market to grow in dramatic fashion

Expansion from broader base

BY WILLIAM DAWKINS

SINCE ITS opening in November 1980 with an initial core of 11 companies, the USM has expanded far beyond the City's expectations. By the end of last year, 232 companies had tested life on the USM, of which 17 had graduated to a full listing...

The market started with an emphasis on oils and industrial stocks. It has broadened to include a disco, a casino, design companies and even a funeral director; and it has a busy calendar of new issues stretching many months ahead.

were being traded outside the official stock market. Previously, the main alternative for unlisted companies that wished to trade their shares was to operate under the restrictive and cumbersome requirements of the Stock Exchange's Rule 163.

Relaxation The economy was crying out for a younger and cheaper marketing method, so the USM was bound to succeed.

An important relaxation of the rules of admission to a public listing introduced by the USM was the reduction in the proportion of equity that companies had to release to the public from a quarter of the total to only 20 per cent.

Young entrepreneurs had been unwilling to sell 25 per cent of their company as demanded on the full market because that would have meant limiting the chance to cash in on the future growth they were expecting and any future rises in their companies' share prices.

Curiously enough, however, only a small number of USM companies have taken advantage of the 18 per cent rate,

and the average is more like 30 per cent. Other changes included the requirement that entrants to the USM need have only a three-year track record — as against five years — and abolition of the £500,000 lower limit on market value. Only one company has needed to use the latter concession, Stanelco engineering, which has a market capitalisation of £400,000.

The real attraction was the reduction in entry costs. Advertising requirements for USM entrants were radically reduced, so that they no longer had to place full prospectuses in national newspapers. Admission fees were reduced to £1,000 from anything up to £15,700 for a full listing.

Very few companies have come to the USM without raising some cash en route. By the end of last year, USM companies had raised almost £475m, including rights issues, about 60 per cent of which was retained for investment in their businesses and the rest kept by shareholders.

The rate at which they are raising funds is increasing. In 1983, USM companies raised nearly £200m against £83m in the previous year. Mr Brian Reynolds, chairman of computer software group Micro Focus, which announced a £3m rights issue last month, the first USM rights issue of the year, says: "I see the USM as a source of venture capital. The advantage of equity finance is that you can keep coming back for more. If you borrow, on the other hand, there is an expectation that you borrow once and that's it."

Other companies have used their USM paper to fund takeovers, the most notable example being Oceanics, the marine electronics company. It saw its

CONTENTS
Volatile sectors: rewards and pitfalls II
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issue price multiply six-fold to 80p, and financed a series of acquisitions of other marine electronics companies within six months of being quoted before moving on to the full market last August.

The rate at which companies are joining the USM is also growing so that the market is now approaching a value of £2.5bn, more than double its worth a year ago, with the biggest company being Acorn computers, capitalised at £162m.

Yet the USM is still tiny in relation to the main market — in fact the whole of it is still worth rather less than Marks and Spencer, or one-third the value of BP, the biggest company on the Stock Market.

Schizophrenic Despite its smallness the level of activity on the USM is proportionately far higher than on the fully-listed market. Last year £1.2bn-worth of USM shares — half the value of the entire market — were bought and sold. Hand in hand with this fren-

etic activity has come the schizophrenic performance of share prices for which the USM has become famous. It has never pretended to be anything other than an opportunity for investors to take high risks in the hope of reaping high returns, as testified to by the warnings that each USM share certificate must carry. And right from the start, it has looked disturbingly vulnerable.

For one thing, its fortunes are tied to two sensitive sectors, oils and electricals, although the presence of oil companies is not nearly such an over-riding feature of the market as at the outset. Between them, however, these two sectors still account for about half the USM's value.

In its first year, the City's doubts about the new market seemed to be confirmed when Joe Granville, the oracle of Wall Street, raised doubts about the USM in a radio interview. Prices went into a tailspin across the board as investors panicked.

The scare was short-lived, and since then the USM has shown signs of greater resili-

ence. Yet share prices are still notoriously volatile. Paradoxically, the market for at least a third of the stocks on the USM is effectively moribund, with only a handful of shares in those companies changing hands every day. The actively traded to take place on the first day or so of a listing and then tail off sharply thereafter.

Jobbers estimate that 70 per cent of the shares made available to the public in the average placing are "burned" in the first day of dealings, and that this drops to 10 per cent in the second day, with hardly any business after day three.

"Quite a few issues tend to start off in a blaze of glory and then just burn out," says David Cohen. Of the current total of 210 UK-based stocks on the USM, 55 are trading below their issue price.

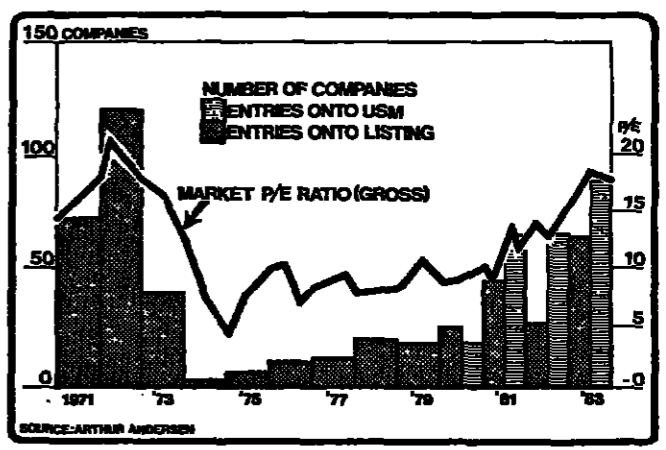
The volatility of those shares which are actively traded on the USM is intensified by the narrowness of the market in many stocks. Initially this was because company directors held tight control over their share stakes, but more recently the market has got even tighter as institutional investors have moved in.

Institutions fought shy of the USM in its early days, but now that it is closer to establishing real respectability they have built up their holdings and are believed to account for some 70 per cent of the free equity on the market. It takes very little buying or selling of a narrowly traded share to send its price shooting up — or down — dramatically. A case in point is Adam Leisure, a Harrogate-based distributor and maker of electronic toys, which last month saw its share price plunge from 87p to 40p in one day following a few pes-

ANALYSIS OF USM COMPANIES BY SECTOR AND CAPITALISATION\*

Table with columns: Sector, Number of cos., Market capitalisation (£m) (6-1, 1-5, 5-10, 10-20, Over 20)

\* November 1983 Source: Arthur Andersen



Vertical text on the left margin containing various financial notices and advertisements.

WHO'S WHO IN THE USM

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Like the above USM clients, find out who's who. For a confidential discussion, please contact Martin Gibbs, FCA, Head of Corporate Finance.

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\* REDUCED RISK — The Funds wide portfolio minimises the risk of individual failure.
\* PROFESSIONAL MANAGEMENT — the Britannia investment team are able to study each company closely.
\* INVESTMENT PERIOD — the Fund invests in emerging growth companies, and investors are recommended to retain their holding for a minimum of 3 years to maximise growth potential. However, you can sell at any time.
\* MINIMUM INVESTMENT £1,000 lump sum or £50 minimum per month in the Britannia Accumulation Savings Account.

COMPLETE THE COUPON BELOW & RECEIVE: a detailed letter about the Fund, our U.S.M. investment bulletin and the Fund brochure, including your application form.

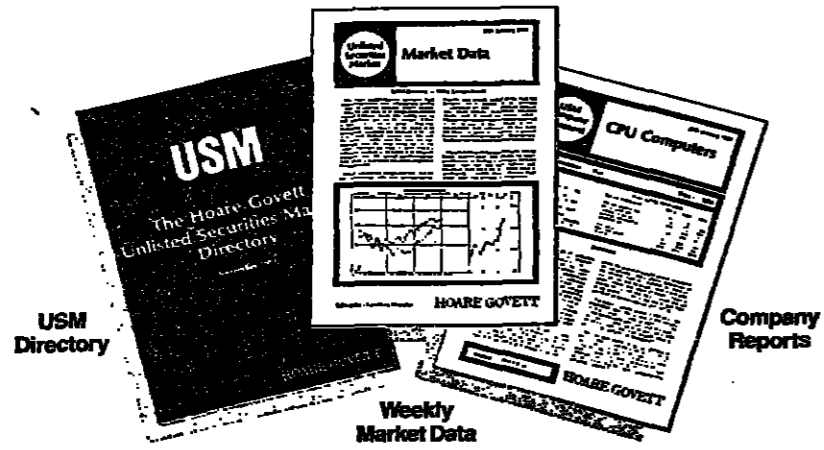
The Fund is based in Jersey and is listed on the Stock Exchange, London. Investors should note that the past performance is not necessarily a guide to future performance.

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Form for requesting a detailed letter about the Fund, including fields for Name, Address, and explanatory memorandum.

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For more information on cost and availability, call Geoffrey Douglas on 01-404 0344 or simply fill in the coupon below.

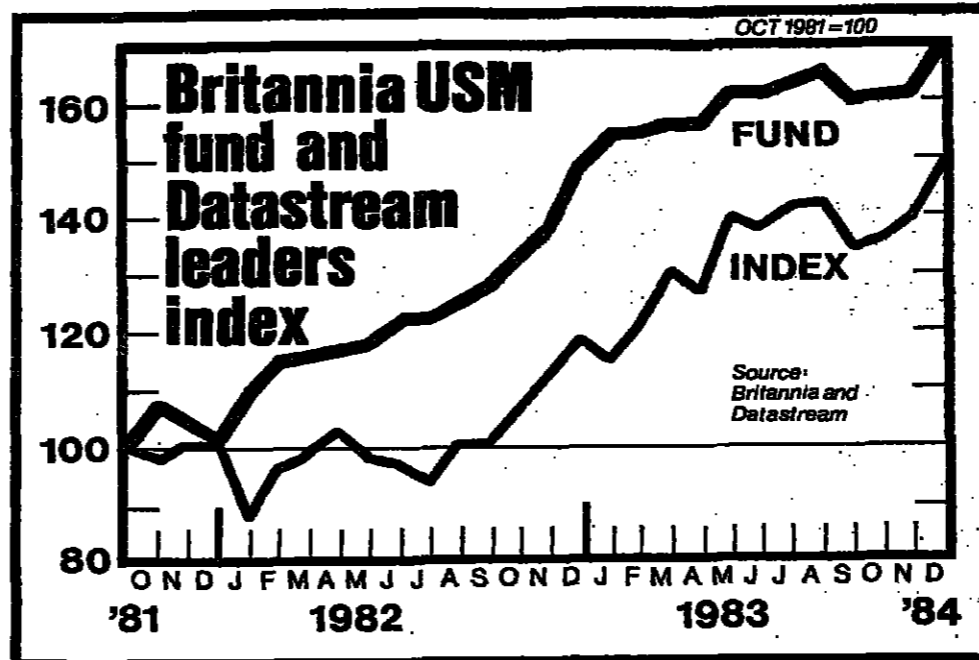
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## Unlisted Securities Market II



Investors seeking a direct position on the USM have a choice of two funds: Britannia, after a hesitant start, has managed to track the leaders index consistently and to iron out some fluctuations on the way

## Rewards and pitfalls for private investors

THE Unlisted Securities Market has gone a long way towards shaking off the shady and speculative image it had in the minds of many investors three years ago.

With success stories like Oceanics, Acorn computers and Micro Business Systems behind it and a market value approaching £2.5bn, the USM has proved that it can be a mine of genuine opportunities for private investors.

However, it is still no place for widows and orphans. As every USM share certificate warns in large red letters: "This security is not listed on the Stock Exchange and the company has not been subjected to the same degree of regulation as a listed security."

That is not to say that there are not large gains to be had for the nimble footed with a spot of spare capital available for risk-taking. But if you are planning to take a flutter on the USM, don't do it with money you cannot afford to lose, and do bear in mind the following basic rules of survival:

- Be prepared for a hair-raising ride. The marketability of many stocks is extremely thin, since institutional investors hold around 70 per cent of the free equity on the USM and the directors are not obliged to release more than 10 per cent of their companies' equity. When prices of narrowly traded stocks move, they move dramatically. You could occasionally be saddled with huge losses as well as gains.

### Small bundles

- It may be impossible to pick up more than a handful of shares in many companies. Dealing frequently in small bundles of stock is expensive, so consider whether the gain you hope four favourite hot-stock will achieve will be enough to cover the dealing cost.
- Prices tend to move quickly in the first day or two of a new share's life, with business tailing off sharply thereafter. The result is that around a third of the stocks on the USM are hardly traded at all and their prices stagnate. This means most private USM investors are probably the "stags" who move in on new issues, buying shares on the first day in the hope of selling them as quickly as possible at a profit.

- Regularly published information on many USM stocks is still thin. Brokers Hoare Govett and Grievson Grant do produce circulars on the USM and a number of others are mustering their research resources. But information on smaller companies, is still so scarce that investors may get no warning of impending trouble.
- The information famine has

encouraged a small boom in share tipsters, which claim to offer special knowledge of the stock they cover to the benefit of subscribers. In practice, however, private investors do not often gain from tipsters' recommendations. Jobbers read all the investment newsletters first thing in the morning and mark up the prices of any tips before trading starts. So you might gain by selling a share you already own if it happens to pop up in a tip-sheet, but you will be unlikely to make a large profit by investing later publication.

Clearly, the USM provides more scope for the private investor to make a quick in-and-out profit from new issues in the first few days of life than to reap long-term capital gains.

In any case, it is still too young to have proved itself as a lucrative source of long-term private investments for individuals, although the institutions are taking the USM increasingly seriously.

Despite the institutions' growing confidence, however, the number of managed USM funds available to the private investor is very small. Ivory & Stone's First Charlotte Assets Investment Trust and Britannia's USM unit trust, both established in 1981, are the only managed vehicles which fully specialise in the USM.

Both funds got off to a slow start because the method of bringing new companies to the USM makes it difficult for fund managers to pick up meaningful holdings at the time of the issue. "When we started First Charlotte, there was simply not enough on the USM to buy," says Gary Ramsay, Deputy Chairman of Ivory & Stone.

However, First Charlotte has built up USM exposure to 47 per cent of net assets and intends to reach 50 per cent shortly. The rest are divided between U.S. over-the-counter investments, the full stock market and UK government securities.

In the year to March 1983, First Charlotte's net asset value rose by 38 per cent, just under the 40 per cent increase shown by the Datastream USM index over the same period. After a £4.5m rights issue last summer, the fund is now worth around £8.6m.

The most straightforward benefit of choosing a managed USM fund is that it enables a

small investor to build up a spread of holdings which it would be difficult and expensive to do alone.

In addition investment trusts can switch from one company to another without incurring capital gains tax, while individuals' timing of investment moves may be affected by their need to avoid notching up too many capital gains in a single tax year.

"If capital gains tax considerations hold up your investment decisions in a fast moving market like the USM, that could be a severe disadvantage," argues Mr Ramsay.

Britannia's £8m USM fund marginally underperformed First Charlotte in the comparable period, producing a 50 per cent gain in unit price. It has a rather higher USM content—75 per cent, with 15 per cent on the over-the-counter market and 10 per cent in cash.

Given the special nature of the USM, the fund could be a highly volatile investment and therefore the managers suggest that the new fund should form only part of a balanced portfolio of international equities, fixed interest securities and cash," Britannia warns.

### Equal chance

Because of the narrow marketability of many USM stocks, turnover in the fund has to be very small, says Britannia's Shaun Whyte. "We would tend to hold our USM shares for rather longer than in a fully quoted portfolio," he says. "However, the fund does give shareholders the chance to be in with an equal chance to the institutions on new issues."

Even an institutional buyer of Britannia's size finds it hard to pick up large chunks of USM equity. None of the fund's USM holdings accounts for more than 2 per cent of total asset value, according to Mr Whyte.

On the other side of the coin, the number of investors willing to invest in the USM via a managed fund is still limited. "We feel that it would be very difficult to attract really large sums of money to the USM," says Mr Whyte. "At the same time," he adds, "an increasing number of people are believing that this is a genuine market and that the companies in it are attractive."

William Dawkins

## Broader base

CONTINUED FROM PREVIOUS PAGE

mistic words from the chairman at the AGM. "There are only 5m shares in Adam Leisure available to the public, of which 5,000 or so are fully tradable—and the market in some USM stocks is even more limited.

Micro Focus, for instance, is estimated to have a free market for only 2,500 shares, while Kenyon funeral directors has a market for a mere 500 shares, according to jobbers Biggood, Bishop.

Against this background, it is not surprising that USM share ratings have looked over-inflated. Stockbrokers Hoare Govett estimate that the average historic multiple on the USM is between 25 and 30, against 10 to 15 for the full market.

Clearly, some USM companies do have the growth prospects that would justify such ratings, especially since their profits are rising from a very low base. But, in a bear market, sky-high ratings could become dangerously fragile, and for this reason both the Stock Exchange and Bank of England have warned of the dangers of over-heating in the USM.

Contributing to share prices' volatility has been the dearth of research material on USM companies. It makes little commercial sense for large stockbroking firms to devote a lot of time to investigating USM companies because the business does not justify the expense. Consequently, a hint of bad

news can appear as a devastating shock, catch the market on the wrong foot and send prices into collapse. More dangerously, a company can quietly run into disaster without its share price registering any warning. Technology, for instance, suddenly went into receivership last year while its 5p shares were trading at 230p, only 20p less than the issue price.

The information vacuum has encouraged the growth of share tipsters and speculators, which aim to exploit any specialist knowledge they claim to have to their subscribers' benefit.

Recent months have shown that the research gap is beginning to be filled by the brokers, with the emergence of publications such as Hoare Govett's weekly data service, Grievson Grant's monthly review and Albert Sharp's survey of 19 computer companies on the USM.

These are the first signs that leading stockbrokers are taking the USM seriously. Moreover, they are beginning to think of it as a nursery for younger companies which could provide profitable relationships in future years.

Despite its success, however, the USM cannot be considered fully mature in the City until it has weathered the full force of a bear market. Until that time, its stability will be unproved. "We haven't had many casualties yet," says Geoffrey Douglas of Hoare Govett. "But in a more testing climate, there could easily be a lot more."

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## Unlisted Securities Market IV

Charles Batchelor looks at the demand from a third tier of borrowers too small or too young for even the USM

### Over-the-counter market set for expansion

THE GROWTH of the USM has been matched by the equally rapid expansion of the over-the-counter (OTC) market. Far from absorbing the need of smaller companies for funding and for exposure to a public market place, the USM seems merely to have fuelled demand from a third tier of borrowers too small or too young for even the USM.

London's OTC market is the merest shadow of the US, counterpart where 4,000 stocks are traded in a well-regulated environment. But the dozen or so licensed dealers in securities who are attempting to establish a telephone market in London for the shares of about 80 companies are confident that the OTC is set for further explosive growth.

#### Vulnerable

It has already made great strides over the past two years. In the beginning two licensed dealers struggled to make a market in just two stocks.

The rapid expansion of the OTC market is viewed with concern by many in the city.

Most of the companies coming to market are small enough to be very vulnerable to set-backs; the market itself is subject to no formal regulation (though licensed dealers must be approved by the Department of Trade and Industry); trading lacks the depth to ensure that all the shares are realistically priced.

The licensed dealers themselves are the first to acknowledge that the OTC is not for the inexperienced investor and that it should be regarded as a highly speculative market.

The picture is confused by the fact that the market which is increasingly regarded as the OTC has in fact usurped the title which one licensed dealer, Granville and Company (for merely M. J. H. Nightingale and Company) has been applying to

its own very different market for the past 12 years. The two now co-exist rather uneasily.

Both markets set out with the same aim—to provide capital for companies too small to raise funds on the Stock Exchange—and later the OTC market. But while Granville concentrates on grooming well-established companies with a steady growth record for the carefully controlled market in which it trades, the intermediate market the new OTC market makers follow a "hands off" policy.

Granville seeks to attract companies capable of, or already achieving, a pretax profit of £50,000 and with a potential market value of £2-10m. It does not make a market in the 26 companies it lists but restricts itself to matching bargains—attempting to find the stock required at a particular price if the investor wants to buy or finding a purchaser if the investor has surplus stock. It takes a commission from both parties to the transaction.

In matching bargains Granville ensures that stock does not fall into the hands of investors who are hostile to the existing management, thus ruling out the possibility of a contested take-over bid.

Granville's market is largely institutional, dominated by about 80 insurance companies, pension funds and investment

Combined market capitalisation of the companies quoted is around £165m, though this represents only part of their total capitalisation since a majority of the shares is usually retained by a few investors. About 10-15 per cent of a company's stock is made available in the initial sale.

Granville-listed companies include Alspring, the bedding manufacturer; Barlow Hill, the quarrying group and Minihouse Holding, a Dutch computer systems company

which was brought to market last year.

It is Granville's monopoly control of its own market which has helped provide the impetus for the new OTC market. Here, by the very least, competing market makers ensure a price is created for a stock in a competitive environment.

#### Mixture

Applied Holographics, a manufacturer of holograms or three-dimensional images, and Edco, a spring manufacturer of the Oric computer, are also dealt in by four licensed dealers but other stocks are less well served. The companies listed are a mixture of high-technology and more traditional businesses.

Harvard Securities has been the main mover behind the development of the OTC. It makes a market in 30 of the 80 stocks and expects the total market to expand to 200 stocks by the end of 1984. Monthly trading volume of OTC stocks is now £1.5m, up from £700,000 in November 1982. Total OTC market capitalisation is about £190m, Harvard estimates.

Harvard, which has 25,000 private clients, is firmly aimed at the retail market, seeing a niche for itself among investors too small for the average Stock Exchange broker to bother with or those put off by the exclusivity of the Stock Exchange proper.

Companies coming to the OTC should be able to raise £1.5m, says Mr Tom Wilmut, larger is difficult for the market to absorb, says Mr Tom Wilmut, managing director of Harvard.

Some 55 stocks out of 210 were trading below issue price at the end of February. Terry Garrett discusses the risk factor

### When choppy waters reveal leaky boats

THE Stock Exchange established the unlisted securities market to attract young entrepreneurs' businessmen to a market with less demanding admission rules than a full quote, where they could float a limited number of shares in fairly small companies. A couple of hundred new millionaires later and everything has gone more or less as well as could be expected.

Very few USM stocks are actively traded beyond the first few days of dealing. As institutions become more relaxed towards the market, building up stakes in USM companies, this market gets even thinner leaving the USM little more than a quick in and out new issue market for private investors. A lack of research by brokers inevitably has bred a number of tip sheets while prices generally are more volatile

and share ratings far more optimistic than the main market.

The only really surprising thing about this junior market is that even though every stock has the Stock Exchange's "wealth warning"—"This security is not listed on the Stock Exchange and the company has not been subjected to the same degree of regulation as a listed security. Very few have wiped out their enthusiastic investors."

There have been very few USM companies that have gone bust leaving their shareholders with nothing more than a useless share certificate as an unhappy reminder of what not to invest in. In fact, the number of USM stocks that have gone into receivership can be counted on one hand. That is not bad going for the market, which is supposed to be all about high risk and high rewards. Against the main market the USM is fair shining with health in that respect.

But, of course, the Stock Exchange does weed out some of the more dubious candidates before they are listed. The USM, while sponsoring brokers and finance houses are generally becoming more careful. As the USM is developing out of its infancy, the quality of sponsors has improved generally to the point where those involved now have a lot to lose if they put their name to a dud.

#### Fiascos

Nevertheless, while the number of companies that have actually gone down is small—Hedketh Motorcycles, EuroName, IoTechology and American Communications Industries—the number of fiascos on the USM could fill a not so small book. Missed profits forecasts are nothing new and companies that have been floated on quite fantastic earnings multiples after a couple of years of rapid growth only to go into decline once the public had put in money, are not that hard to find.

Perhaps the most telling statistic about the overall performance of the USM is that, according to Datastream, 55 USM stocks out of 210 were trading below their issue prices at the end of February. Those figures exclude overseas-based companies such as Nimsio. It looks a pretty poor performance

given the overall bullish mood of equity markets.

Two USM stocks are currently in suspension, trying to come to grips with their changes in fortune. Thames Investment Securities suspended its shares last October as its founder and chief executive left and the company's property assets were dramatically written-down.

At the time one of the jobbers said that for months he did not know if the price of property group Thames should have been 22 or 20p. In other words the research into USM stocks left even a market professional with no idea of the company's true worth.

The other company in suspension is Immediate Business Systems. It joined the USM two years ago with a placing of equity at 80p a go. The shares have been up to 31p since then but a few weeks ago were suspended at 58p.

IBS started with an interesting product—portable billing machines allowing gas and electricity meter readers to present occupants with a bill there and then—which should seem like a natural winner. But the initial losses, which were always foreseen, have mounted and even after a rights issue in 1983 the management has had to suspend in order to "finalise refinancing proposals."

That saga typifies many of the USM tales of woe, in which enthusiastic managers have brought along new products with potential, but development and marketing time have been seriously underestimated. The result is that under capitalised companies run into trouble. IBS is not the only one.

Nimsio may not be in suspension but it is a fine example of a product that caught investors' imagination but seems to lack a viable place in the markets.

Breville Europe is the other side of the coin. It joined the USM on the back of a highly successful toaster sandwich maker but Breville is now suffering the problems of a (basically) one-product company when its product is no longer the latest fad.

Chemical Methods Associates Inc. broke new ground in tackling its problems on the USM. A maker of commercial dishwashers in the U.S., Chemical

CONTINUED ON NEXT PAGE

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*John Melish*

# Unlisted Securities Market V

One sign of the market's growing maturity is that member companies have become active in acquisition ventures

## Participants move into takeover game

ONE OF the principal acquisitions levelled at the Unlisted Securities Market by its sceptics at its launch over 2 1/2 years ago was that it would be little more than a vehicle for successful entrepreneurs to realise part of their investment in the budding businesses they had created.

In a sense that criticism will always have some element of truth in it but as the market matures—and its earlier participants mature with it—the USM is spawning businesses which are prepared to use marketable paper for the classic reasons: principally to raise negotiable currency for acquisitions and additional capital.

It is easy to exaggerate the benefits which USM paper may bring in acquisitions and rights issues. The prototype USM stock released very little equity to the outside world and as a broad generalisation the free capital went to a tightly defined circle of friends and family.

It is worth noting that companies such as Microgen issued molecule positions of capital to outsiders but that company, like an increasing number of its peers, is now opening up its capital base.

As one of the leading brokers in this market observed recently, fund raising may well herald a rise in share prices as an almost unmitigated stock market is a tradable asset. His says that for many entrepreneurs one of the principal reasons for a USM float was, anyway, the use of paper for acquisitions.

Not that there has been very much coherence about takeover activity in the USM. In the senior market, as a broad generalisation, takeover activity has been concentrated on financial services and computer management whereby tried and trusted managements attempt to pick up and shake up under-utilised assets, where necessary, by contested takeover. On a more specialised front, there has been a pronounced re-allocation of ownership in the building materials sector, a process which can be expected to continue.

The picture is very much more diffuse. The shifting stakes in USM stocks such as Coleman Milne, Miles World and Pineapple Dance Studio serve only to tell students of junior market firms that Michael Ashcroft and David Wickens are interested in this arena and here, just as much as in the full listed arena, they are constantly shuffling and re-shuffling a mix of core and peripheral businesses.

### Inherent bias

To the extent to which the USM does reveal some concentration of activity, takeover activity reflects this inherent bias. If the USM can be categorised it may be fair to say that its principal elements are made up of either high technology (which include communications and security), oil and resources (which would include exploration and applied exploration expertise) and to a lesser extent the financial sector, mostly property investment and development.

The first stock out of the USM and on to the full market was Markbeath Securities, a North London property investment and development group. Oceanics, the marine electronics group, which quickly followed, made a great deal of use of its equity on the USM and built its market capitalisation up to over £90m before making the switch. Oceanics was by far the largest USM stock to make the transfer, but it seems that those that follow will enjoy a high market rating which stems in turn from a progressive earnings record and the ability to use their paper for progressive acquisitions.

The most active takeover companies on the USM include Aidcom International, which acquired Media Computer Graphics and Talking Pictures for £38,000 and £50,000 respectively. That is admittedly fairly small beer but A & G Security Electronics has acquired Carters of Buryley for £1.5m, or about one-third of its then market capitalisation. Aerospace Engineering purchased the fluid power and

nuclear division of Vickers for £3m, against a year-end market value of under £2m, and Resource-Technology, the exploration equipment group, paid £5m for SPT Group when its market value was less than \$14m.

Other recent buyers on the USM have taken in Microgen, which has acquired Hopefor for £80,000, or 230,000 shares; MME Facilities, which has acquired Ewart & Co (Studio) through the issue of 200,000 shares; and Coleman Milne, which has funded the acquisition of a slice of Healey equity through the issue of shares to British Car Auctions.

On occasions, such as the acquisition of Wheelers Restaurants by Kennedy Brooks, the juniors market takes a pot shot at its supposed bigger brethren by making a successful takeover. More frequently, as in the rival takeover bids for Glasgow-based video distributor Michael Black by Highgate & Job Emess Lightfoot, fully listed stocks pitch for their unlisted peers.

Others to come into this category include Oldham Brewery,

which hitched up successfully with its North Western neighbour Boddington's Leisure Industries which merged with Riley Leisure, its most directly comparable company in the snooker, pool and billiards industry and OCF North Sea Associates which was taken over for £16.3m by Tricentrol, which itself has spawned a USM subsidiary, Mmemos, an offshoot of Comtech.

### Some objections

Crest International Securities was eventually acquired for £5.6m by Kwik-Fit (Euro), although not without certain objections from Kwik-Fit's institutional shareholders.

As to the rights issue market, USM companies have been tolerably active raising, as Hoare Govett has calculated, £88.6m out of a total of £349.5m new capital raised between 1980 and 1984. Since then McCarthy and Stone, builder of sheltered homes for the elderly, has raised £12.1m on a one-for-four basis and has transferred from the USM to the fully listed market. Its business has grown rapidly since its first

launch date in May 1982 and it may be a feature of those USM stock ready to make a "heavy" call on shareholders that they are also ripe for a transfer to a full listing.

Microfocus has recently unveiled a one-for-six rights issue to raise \$9m net of expenses.

Again, the business has grown very quickly—1983 profits were very nearly treble those of the previous year and its activities as a computer software supplier are estimated to have a great deal more expansion possibilities. But the widening of a hitherto tight market for the shares plainly had much to do with the way the price jumped on the day that the cash call and profits were announced.

The list of new entrants to the USM sees no sign of diminishing, but those companies which have grown to the point where their paper can be used for takeovers and fund-raising should shortly be in a position to leave it. At some point perhaps entry and departure should be in balance.

Ray Maughan



At the USM launch of Pineapple Dance Studios its founder, Debbie Moore, made a personal appearance on the floor of the Stock Exchange

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## Choppy waters

CONTINUED FROM PREVIOUS PAGE

Methods came to the USM last May with an offer for sale of £4m and a forecast of not less than £4m profit for 1983. By October the company had called a halt to its dealings at 60p, far below the 110p price which because its forecast looked beyond reach after half time profits of \$140,000.

So Chemical Methods and its advisers, Aitken Home, called on one of the oldest marketing plays in the book, though not enough in the stock market: "If you are not satisfied with the product you can have your money back." A fine gesture but an expensive one. Apart from the money it returned to investors, the company has shouldered a substantial dividend commitment in order to restore shareholders' confidence.

It is clearly not a market for widows and orphans. But what of the four companies which have gone under? Are there any obvious features to be recognised that could act as a rule of thumb guide to avoid the next disaster?

Hesketh Motorcycles was pure venture capital, backing the dream of young Lord Hesketh that Britain could again manufacture powerful motorcycles. It was one of the first 11 companies on the USM, the shares having been traded on the 188 (3) market for some time. The dream ended in a nightmare with the receivers in mid-1982.

Eurofame was perhaps one of the more spectacular failures because it seemed to be ill-fated from the very start. The manufacturer of wood-burning stoves had to delay its USM debut because of an unofficial

forecast at its launch press conference.

It came back, with a forecast of £335,000 profit for 1981 against the unofficial one of £450,000. There was in fact a loss of £255,000. The shares were suspended early in 1982 and a Department of Trade inquiry was launched. The receivers finally came in early this year and shareholders can expect nothing in terms of cash. Technology's sudden death was amazing. A microprocessor manufacturer, the company raised £1m by a share placing in March 1982 only to have its shares suspended in just under a year. There had been no hint of trouble and the price was 230p, 20p below the placing price, when a halt was called to dealings. The next day the company went into receivership.

Last but not least, American Communications got off to an unhappy start when the underwriters had to take up nearly two-thirds of the issue. In a little over a year this U.S. film production company's shares were suspended following a run of flops. ACI filed for a Chapter 11 bankruptcy in the States. The only lessons are the obvious ones of the dangers of investing in small companies with limited financial support working in untested markets or with highly volatile products. Four companies do not give a working base to establish any real trends. Still, the life of the USM has been a period of economic recovery and bullish stock markets—just wait till the choppy waters of recession hit some of the USM stocks, which are already sitting in leaky boats.

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## Unlisted Securities Market VI

Terry Garrett looks at the different reactions the market gave  
to the launch of two computer groups

PROFILE: Acorn Computer Group

# Heading for the top division

CAMBRIDGE-BASED Acorn  
Computer Group epitomises the  
USM. It has come up from  
nowhere five years ago to be  
one of the leading suppliers of  
microcomputers in the UK.  
Profits could reach \$15m this  
year and, judged by market  
capitalisation, Acorn is the  
largest group on the unlisted  
market—a growth rate some-  
what faster than that of mighty  
oaks.

The company was started  
from scratch by Mr Christopher  
Curry and Austrian-born Dr  
Hermann Hauser. Curry had  
worked for Clive Sinclair's  
Sinclair Research before team-  
ing up with Hauser. Though  
relationships with industry guru  
Sinclair are described as  
cordial the two companies are  
arch-rivals in the computer  
field.

Even by the computer  
industry's standards the rapid  
expansion of Acorn has been  
dramatic. The initial phase was  
a microprocessor consultancy  
run by the two men called  
Cambridge Processor Unit. One  
of the consultancy's early  
assignments was to iron out  
problems of an electronic one-  
armed bandit. That funded the  
first computer—the Atom,  
launched in 1978.

### Glittering prize

The Atom was aimed at the  
education market but largely  
lost out to a rival computer.  
Nevertheless, the Atom sold  
fairly well in the more general  
consumer market. But what  
really rocketed Acorn into the  
top division was the BBC's plan  
to launch an educational series  
on computers. The BBC wanted  
a low-cost micro.

After some frantic work the  
Acorn men designed a micro  
on paper to meet the BBC's  
requirements. The glittering  
prize was theirs, much to the  
chagrin of some of the competi-  
tion. The computer hit delays  
in production start-up but after  
that initial hiccup demand for  
the micro outstripped the BBC's  
forecasts many times. Some  
300,000 have been sold to date.

Besides the BBC computer  
Acorn was able to get itself  
listed on the select band of  
recommended suppliers of  
micros to schools.



Mr Christopher Curry, co-founder with Dr Hermann Hauser of the Acorn Computer Group

The launch of the shares on  
the USM last September in part  
and parcel of the company's  
expansion plans. Acorn is  
making the costly entrance into  
the U.S. market, while at home  
new products are being  
launched such as the Electron  
—a computer aimed towards  
the bottom end of the market  
to compete with the likes of  
Sinclair and Commodore but  
without the benefit of the BBC  
link.

The issue was of 11.25m  
shares by offer for sale by  
tender at a minimum price of  
120p. Yet a stock market con-  
cerned by the price war in the  
sector did not respond with  
much enthusiasm. The issue  
was only barely over-subscribed  
and the striking price was  
pitched at the minimum of  
120p.

Such was the change of mood  
in the market for high-tech  
stocks that Acorn's shares were  
soon trading at a discount to  
the offer price, hitting a low  
point of 105p at one stage.

Looking back Christopher  
Curry says: "We chose about  
the worst day possible to go  
public. There were problems  
for the industry in the U.S. and  
a series of collapses just as we  
were coming along. Also the  
Spurs issue on the same day  
had greater public visibility,  
which detracted investor  
interest."

"I was very disappointed  
with the response. Perhaps we  
didn't put the prospectus adver-  
tisements in all the papers in a  
big enough way."

share price has started to show  
some progress and at the time  
of writing stands a good 30p  
above the issue price. Mr Curry  
adds: "I am quite happy now.  
While the price of only 10 per  
cent of the shares didn't affect  
the viability of the company I  
was concerned for shareholders,  
including many employees  
some of whom had borrowed  
money to buy shares." A full  
market quote is clearly a  
target but there is no time  
scale for the shift as yet.

This year, however, the

PROFILE: CPU Computers

## Inauspicious start for a fast grower

BRINGING THEIR company,  
CPU Computers, to the USM  
should have been a moment  
of triumph for Tom Fitzpatrick  
and David Johns. But  
the moment was short-lived,  
for the after market in the  
shares fell dismally short of  
the issue's striking price. "We  
were saddened by the thought  
of all those people. Over-  
night their investment was  
down to 87p from 130p," says  
Tom Fitzpatrick.

Yet CPU was a fast-growing  
member of the electronics/  
computer industry, typical of  
many that have joined the  
USM and more solid than  
some. Its inauspicious start  
as a public company says  
more about the City than it  
does about CPU.

CPU was started 10 years  
ago by Fitzpatrick and Johns  
who had both previously  
worked for a California-  
based mini-computer com-  
pany, Varian. With £5,000  
apiece they formed CPU.  
From the outset they decided  
to keep growth limited to the  
amount they could fund from  
retained profits. It is only  
recently that CPU has enjoyed  
an overdraft facility.

Nevertheless, even if this  
approach limited the speed of  
CPU's development, the end  
result is hardly that of a  
sluggard. Up to the quotation  
last June, sales and profits  
had expanded by a compound  
growth rate of 374 per cent  
and 182 per cent respectively  
over the previous five years.

The group is now engaged  
in component distribution of  
computer peripherals and the  
manufacture of "octopus"  
microcomputers, with a base  
in West Germany as well as  
the UK.

The main impetus to bring  
the company to the USM was  
the realisation that the com-  
pany needed quoted paper to  
make acquisitions. By their  
own determination Fitzpatrick  
and Johns had become strong  
cash managers but two small  
acquisitions in 1982 for cash  
showed them that if the  
momentum was to be con-

tinued a quote was needed.  
Last summer CPU launched  
itself with an offer for sale by  
tender of 41m shares, includ-  
ing 1m of new equity for the  
company, at a minimum price  
of 105p. The usual enthusiasm  
for high-tech surrounded the  
issue and a striking price of  
130p was set by CPU's ad-  
visors.

That price was either too  
high or the after market was  
badly handled. Anyway, as  
the days realised that there  
were no quick profits to be  
made they fled taking their  
profits dragging down the  
shares. CPU was also caught  
by a change of attitude to-  
wards the tender system and  
developing troubles else-  
where in the electronics in-  
dustry which affected senti-  
ment towards the whole  
sector.

### The message

It has taken six months of  
trawling around the City to  
get the message across that  
CPU is not vulnerable to the  
vagaries of video games and  
the like. Now 20 to 30 insti-  
tutions are on the share regis-  
ter and the price broke  
through the psychological  
130p barrier in January, the  
first time CPU has seen its  
striking price.

Analysts are forecasting  
pre-tax profits of over £2m  
for the current year against  
£1.45m and once again Tom  
Fitzpatrick and David Johns  
can think in terms of having  
quality paper to use for  
acquisitions. Within six to  
12 months two sizeable deals  
could be completed. CPU is  
talking to three companies,  
all of which could come to  
the USM in their own right  
but which CPU would like to  
take over.

A full listing could come  
within a year but the real  
long-term objective is to be-  
come "the second or third  
largest computer company in  
this country. Below ICL there  
are few companies with any  
significant turnover," accord-  
ing to Fitzpatrick.

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# Unlisted Securities Market VII

## William Dawkins interviews two City professionals who have blazed the trail to USM



Mr David Cohen—'every aspect of the companies we sponsor warrants and all'

PROFILE: David Cohen

### Detailed research—strict standards

WHEN DAVID COHEN of stockbrokers Simon & Coates brought machine electronics company Oeconics to the USM early in 1982, he was dubbed by one newspaper as "justifiably arrogant."

At that time, the USM was still reeling from a widespread collapse in prices sparked off by doubts expressed by Joe Granville, the Wall Street investment guru, a few months earlier. Cohen had said that the arrival of Oeconics would give the market a badly needed shot in the arm.

Since then, the USM's health has recovered, Oeconics has become one of three Simon & Coates stocks to graduate to a full listing, and its share price has shot from 100p to a peak of 470p last year, when it has fallen back below 300p.

#### Issues thesis

Cohen, 42, and his partner Roger Abraham have between them brought 15 mostly high-technology companies to the USM, more than any other brokers in the City. Cohen's interest in bringing new companies to a public quotation began in his mid-20s, when he studied economics and wrote a thesis on the issues at Birmingham University.

He joined Simon & Coates as an electrical analyst in 1962. "That was in the days when transistors were causing as much excitement as microchips are today," he says. In 1969, at the age of 27, he became one of the youngest ever partners in the firm and now has overall responsibility for corporate finance with Abraham.

Simon & Coates' reputation for bringing high-technology stocks to the USM is partly to do with Cohen's own background, and partly because computers and electricals are the forte of the firm's research department, whose job it is to run a fine toothcomb through every company it places to sponsor.

"Few new issues coming to the USM can bear the cost of a merchant banker as well as a broker, so that means we have

to be especially painstaking," says Cohen. "In particular, we have to understand a company's technology and look at the stage of development it has reached to see whether it is coming to the market on the crest of a wave."

Indeed, Cohen turns away most of the two or three companies a week that approach Simon and Coates for help with a listing. "A lot of them just pop up through another broker," he says.

Once his research team has established in principle whether Simon & Coates should back a USM entrant, Cohen or a colleague will usually spend several days with the company.

"In some cases I go alone, if only to get the feel of the place. That means talking to everybody, even on occasions the secretaries and van drivers," says Cohen.

"We want to know every aspect of the companies we sponsor—warts and all," he says. In keeping with his detailed research approach, Cohen sets strict standards for his USM entrants. He insists that they publish long-form financial reports rather than the skeleton reports permitted for USM companies.

Further, he encourages them to release at least £1m worth of shares or well over £5m if they are coming to the USM via an offer for sale. The main reason for this, he argues, is to ensure a healthy after-market in the shares, so that there is a reasonable chunk of free equity available after the institutions have taken their stakes.

To ensure that investors do not quickly lose interest in a new issue after the first day of trading, Cohen tends to argue for initial prices rather lower than many directors would choose on their own.

"After all, the issue is only the beginning of a company's relationship with the market," he says. "If you have a good 'Stock Market' image from a successful debut, those shareholders will tend to support you when it comes to funding development programmes."

PROFILE: Brian Winterlood

### Early leap wins leading place



Mr Brian Winterlood—"now the sky is literally the limit"

"WE WERE slightly clutching at straws at the time. But it just seemed that here was a chance for us to become leaders in a new sector. Thank God we took it."

Brian Winterlood is speaking, of course, of the time three years ago when Bisgood Bishop, the stock-jobbing firm of which he is joint managing director, took its life into its hands and plunged into the uncertain waters of the Unlisted Securities Market.

Since then, Bisgood has established a niche for itself as the only jobber to make a market in all 210 USM stocks. "And now the sky is literally the limit," says a jovial Winterlood. "I see no reason why there should not be 1,000 companies on the USM one day."

So what tempted Winterlood to chance his arm in an untried and untested market? "Three years ago we very much concentrated on second-line industrial stocks, and we didn't make a market in gifts. So it seemed rational for us to expand our operations," he explains.

Moreover, the growing frequency with which shares were being traded outside the official Stock Market and the new Conservative Govern-

ment's pre-small business policies indicated that there was a demand for a new market.

"I could see that there could be a fair amount of business coming our way—and in the early stages, other jobbers were very apprehensive about the USM, which made it all the easier for us," Winterlood says.

Born in Uxbridge, Middlesex, in 1937, Winterlood looked all set to follow his parents into the restaurant trade. Then his Latin master

1960, and was soon appointed as a dealer on the firm's motor book under Jimmy Bisgood, a founding member of the firm, which was established in the early part of this century. Winterlood became a partner in the firm in 1960, and took up his present post in 1981.

"I learned a lot from Jimmy Bisgood," says Winterlood. "He taught me not to get too emotionally involved in any company. That can be disastrous. Of course, you should only trade in something you know about, but you should really trade shares in crude terms as if they were apples and pears. The onus on us is just to make sure that the market is liquid."

What about the future for the USM? Winterlood's chief hobbyhorse is the possible threat from the over-the-counter market. The tax incentives available to investors in unquoted companies have inhibited a large number of such businesses traded on the OTC from joining the USM, he argues.

"There is nothing I would like to see more than the OTC brought under the Stock Exchange's roof," he says. "All the more business for us."

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